The 1984 Manitoba Budget Address

Government of Manitoba

The 1984 Manitoba Budget Address

The Honourable Vic Schroeder
Minister of Finance
April 24, 1984

House Edition

Check Against Delivery

Produced by the Queen's Printer (M.G.E.A.)

1984 MANITOBA BUDGET ADDRESS
Table of Contents

	Page
1984 MANITOBA BUDGET	1
ECONOMIC SITUATION AND OUTLOOK	4
INVESTMENT IN MANITOBA'S ECONOMIC FUTURE	6
FINANCIAL SITUATION	7
BUDGETARY POLICY - CIRCUMSTANCES AND CHOICES - 1984-85	11
MAIN EXPENDITURE ESTIMATES - 1984-85	13
ECONOMIC DEVELOPMENT AND THE MANITOBA JOBS FUND - BUILDING FOR TODAY AND TOMORROW	14
• AGRICULTURE	17
• HOUSING	17
• SUMMARY	18
THE MAINTENANCE AND ENHANCEMENT OF PUBLIC SERVICES	19
• HEALTH CARE - A PARAMOUNT PRIORITY	19
• EDUCATION - AN INVESTMENT FOR THE FUTURE	20
• EMPLOYMENT, SOCIAL AND ECONOMIC SECURITY	20
OTHER EXPENDITURE	21
• CIVIL SERVICE COMMISSION	21
• STATUTORY FINANCE PAYMENTS	21
SUMMARY	22
TAXATION POLICY - 1984-85	23
• SELECTIVE TAX INCREASES	23
• TAX REDUCTIONS	24
Manufacturing Investment Tax Credit	24
Levy Exemption for Small Employers	25
Personal Taxes Cut for Lower Income Manitobans	26
BUDGETARY POSITION - SUMMARY	27
NON-BUDGETARY CAPITAL REQUIREMENTS	29
CONCLUSION	30

THE 1984 MANITOBA BUDGET ADDRESS

Mr. Speaker:

It is an honour to present our Government's third Budget to the Legislature and people of Manitoba.

Our first two Budgets provided the opportunity for Manitobans to counter effectively the challenges posed by the worst national and international recession since the Great Depression.

Those Budgets included important measures, developed in consultation with business and labour,

- to support and underpin the economy,
- to create and save jobs,
- to maintain and improve essential public services,
- in short, to provide the leadership necessary to marshall cooperative efforts and commitments from all sectors of our economy.

Our first two Budgets succeeded in minimizing the damage of the recession. They helped Manitoba secure one of the best economic performances among the provinces over the entire period of recession and recovery to the present time. They ensured that, when the national economy started to move forward again, Manitoba would be ready to take advantage of new opportunities for expansion and long-term job creation.

Over the past year, my colleagues and I have engaged in extensive consultations on our budgetary choices throughout the province, with business, labour, agriculture, local governments and cultural, service and native organizations. In the last few months we met formally with representatives from over 40 different organizations in nine communities throughout Manitoba. I want to thank publicly the hundreds of Manitobans who took time to participate in those consultations and to offer useful suggestions and advice on a variety of fiscal and economic issues and concerns.

The consultations confirmed a broad understanding of current fiscal realities and challenges. There was general recognition of governments' responsibility to provide support and

sustenance in recessionary times. There was agreement that the Province should increase emphasis on measures to enhance longer term economic development. There was agreement that the Government should protect and strengthen essential public services and particularly health care. There was also agreement that governments should use part of the increased resources associated with improved economic performance to contain and reduce net operating deficits.

This Budget reflects that consensus of the people of Manitoba.

It will build on the success we have achieved over the last two years.

The 1984 Budget is both a consolidation Budget and a development Budget. It has two major goals:

- first - to ensure sustained economic growth and new job opportunities; and

- second - to preserve and protect essential public services now and in the future.

With improvements in Manitoba's economy this year, we will be able to meet those objectives and reduce the net operating deficit from previous recession-fighting levels.

We will be able to undertake major new economic development initiatives - new investments in the future of our Province.

And, we will be able to introduce selective tax reductions to support those economic initiatives and to provide extra help for Manitobans who are struggling on low incomes.

Manitobans continue to be concerned about the lingering effects of the recession and particularly about unemployment which remains unacceptably high. The people of our Province have compassion for the many unemployed who want to find work and are simply unable to do so. They understand the anguish of unemployment and they know the heavy cost to our economy and our society. Manitobans also share the distress of many Canadians who have witnessed persistent attacks on fundamental health and social programs by governments more concerned with short-term fiscal balance sheets than with human and social justice.

This Budget will prove there is a better way. It will show that economic and social priorities can be met and that our financial position can be improved at the same time.

In Manitoba, our New Democratic Government is determined to maintain our social service supports for the disadvantaged, the unemployed, the elderly and the disabled. We are determined to maintain high quality health care for all Manitobans without health premiums and without user charges which would penalize the sick. We are determined to continue efforts to improve our economy and to create productive job opportunities for the unemployed. We are determined to achieve these objectives with maximum efficiency and effectiveness and to use some of the resources available from a reviving economy to reduce operating deficits.

One of the main reasons for Manitoba's relative success in weathering the recessionary storms of the past two years has been cooperative action from all sectors, whether private or public, in the Manitoba economy. My colleagues and I once again pledge ourselves to build upon that cooperation: to work with the people of Manitoba to ensure a stable and sustained recovery, and to ensure that the benefits of our recovery will be shared more equitably by all Manitobans, now and in the future.

ECONOMIC SITUATION AND OUTLOOK

In our last Budget we urged the federal government to provide leadership in a national campaign to reduce unemployment across the country. We presented specific proposals for priority projects in Manitoba which we believed should be included in a national recovery program and considered for federal cost-sharing. As Members are aware, many projects are underway and more have been approved in principle.

Some are being financed entirely by the federal government; some are cost-shared, and some are the full responsibility of the Province. Where provincial contributions are involved, the Manitoba Jobs Fund has been one of the primary sources of financing authority. But few, if any, would have been achieved had we acceded to the Conservatives' derision of our initiative.

The national recovery program could have achieved greater results if all governments in Canada had joined vigorously in the campaign, but there is little doubt that the initiatives undertaken in Manitoba contributed to the rebound in economic activity in 1983. And, as projects now underway are completed, and as others are implemented, they will continue to create employment and lasting investment, which will assist the economy in moving from recovery to more broadly-based growth and expansion.

For a number of years prior to the national and international recession, Manitoba's economic performance was poor: we had significantly lower growth in employment and investment than in the Canadian economy as a whole, and we experienced the greatest loss in population of any province.

A detailed summary of recent developments in our Province is included in the Economic Review which accompanies this Budget. The Review offers increasing evidence of the improved condition of our economy relative to the national since 1981.

Manitoba was one of the first provinces to regain the employment levels experienced prior to the recession. In contrast, employment in Canada and in six of the provinces, remains below its pre-recession level. From December, 1981, our Government's first complete month in office, to December, 1983, some 9,000 jobs were created in Manitoba, about three times the increase in the last two years of the previous administration. And earlier this month, Statistics Canada reported that Manitoba's

unemployment rate is lowest in the country, a particularly remarkable achievement when it is remembered that over the last two years our Province has recorded its largest population gains in two decades, and in the past year, recorded a population growth rate above the national rate for the first time since 1919.

Better job creation performance, and the associated improvement in total labour income in Manitoba relative to Canada in the last two years, means improved prosperity for workers and greater purchasing power. This has been reflected in better growth in retail sales which increased by about one-third more than the national average over the last two years. The improvement was also reflected in the new homes started last year, a three-fold increase, which raised Manitoba's share of national housing starts from 1.6% in 1981 to 3.7% in 1983, a share which is significantly more in line with our Province's share of national population.

The increased spending stimulated by rising employment and incomes, and our support to key sectors of the economy have contributed to renewed confidence among businesses and investors in our Province. In 1983, while total investment continued to decline in Canada, investment in Manitoba is estimated to have increased by 10.5% to $2.2 billion, one of the strongest increases among all provinces. These investments, both private and public, have enhanced employment opportunities for Manitobans not just now but for years to come.

For the year ahead, most forecasters are projecting more broadly-based expansion in our Province, continued improvements in employment and a further reduction in unemployment rates. And, investment in the future productive potential of our economy is again expected to show one of the strongest increases among all provinces. It is particularly encouraging that an acceleration of spending on plant and equipment is expected in virtually every sector of our economy.

INVESTMENT IN MANITOBA'S ECONOMIC FUTURE

After two years of working towards recovery, we believe we are in a position to take new and decisive action to accelerate our development and to invest in our future. The Government of Manitoba's economic strategy is to focus on longer term priorities for ensuring stability and growth in our economy.

As is evident, our Province is at a take-off point for a number of meaningful economic developments.

Recently the Premier of Manitoba announced the implementation of two new transportation agreements with the Government of Canada which will mean $230 million in new investment in Manitoba. The new agreements are part of a series of joint federal-provincial initiatives which will commit over $400 million to Manitoba's long-term economic development.

A week ago today, my colleague the Minister of Energy and Mines, announced the signing of a Memorandum of Understanding to sell $3.2 billion worth of hydro-electric power to Northern States Power Company in Minneapolis, Minnesota. As a result, studies have commenced to determine the best economic time for commencing construction for the Limestone Generating Station on the Nelson River. The economic implications are a cumulative expenditure of about $3 billion and a creation of 17,000 person years of work.

I understand that the Minister is hopeful that additional economic initiatives will be successful in furthering long-term hydro development in Manitoba North.

I want to take this opportunity to publicly thank the Minister of Energy and Mines, the Honourable Wilson Parasiuk, and his staff.

Later on in my speech tonight, I will confirm and support our Government's long-term commitment to economic growth and development through the Manitoba Jobs Fund.

FINANCIAL SITUATION

Last year our Budget forecast revenue of $2.7 billion, expenditure of $3.3 billion, total budgetary requirements of $578.9 million, and a net operating deficit of $294.8 million.

The fallacy of Conservative suggestions that revenue was overestimated, spending underestimated and total budgetary requirements likely to rise beyond $700 million was demonstrated in the updated projections included in the Province's Quarterly Financial Statements. On the revenue side, the Third Quarter Financial Statement confirmed that our revenue forecasts would not only be met but would exceed the Budget estimate by about $23 million or about 1%. The Third Quarter Statement also reflected the results of internal efforts to reduce spending. The report indicated that spending has been pared by $64 million or about 2% from the Budget estimate. The result is a drop of $87 million or 15% in total budgetary requirements from the $578.9 million Budget estimate to $491.9 million.

The net operating deficit was reduced even more significantly by almost 20% or $58.3 million to $236.5 million.

The Conservatives and some public commentators display a sense of myopia in referring to total budgetary requirements as the "deficit." I believe that kind of blanket characterization is shortsighted in the extreme because it fails to distinguish between an operating "deficit" per se, and total budgetary requirements which include budgetary capital investment.

Homeowners recognize the distinction when they buy a house. A Manitoban with $25,000 in annual income who buys a $50,000 house does not consider him or herself to have incurred a deficit of $25,000 in the year of acquisition, even before general costs of food and clothing and transportation are taken into account. Instead, the homeowner examines general living costs and income and the choice between continuing to incur rental obligations or replacing those with mortgage obligations and related assets.

Businesses also recognize the distinction. When a company acquires a new $5 million plant, it does not charge the full costs of the plant against income in the current year and reduce its profits or increase its losses by the full amount of the acquisition. Instead, it recognizes the new plant as an investment in the future. It recognizes the plant as capital acquisition and includes the costs of operating the plant along with any interest costs and depreciation as a current year

expense. If the company borrows to finance the plant, commentators do not say the company is $5 million worse off. Commentators look at the company's net worth. Yes, it has $5 million in new debt but it also has $5 million in new assets.

In both examples, neither the homeowner nor the business consider the cost of their capital acquisition as a "deficit." In fact they quite properly view the acquisition as an investment.

Government faces the same considerations in decisions regarding budgetary capital investment. The expenditure involves acquisition of assets with long-term benefits, yet, in making such decisions, governments often face critical and, I believe, ill-advised comments focussing on the resulting total budgetary requirement which is characterized as a "deficit."

A rational consideration of budgetary capital investment based on essentially the same considerations used by the individual and business, would recognize the expenditure for what it is, an investment, and not construe such expenditure to be part of the net operating deficit.

William E. Simon, former Secretary of the Treasury of the United States, made the same point. He noted the perception of government is so heavily focussed on political processes and social objectives that the financial dimensions of government are often obscured. In developing prototype financial reports for the U.S. Government which recognize the future value of capital investments Mr. Simon pointed out, that the fact is that all governments are financial entities. Like business firms and households, governments conduct their business by acquiring and using economic resources, goods and services. Of the resources acquired, some are consumed currently and some provide future revenues or services.

Mr. Simon went on to say that unless these financial transactions affecting a government entity are sorted out between what is applicable to current operations and what to future operations, and brought together in a reasonably simple accounting report, the average citizen or even the financial expert, cannot hope to make an informed judgement about the financial health of the government. The information presented in Appendix Table A-1 is designed to facilitate informed judgements.

A more comprehensive examination of the investment decisions in each case, individual, business and government might focus on the value of assets. In general, individuals and

businesses consider "net worth" as a more important indicator of financial health. Where a debt is incurred to acquire an asset, the indicator of financial health is not just debt outstanding but also the assets acquired.

The Conservatives and their advisors have professed concern at Manitoba's gross per capita debt, presently at $6,289. Unfortunately, such critics fail to take into account sinking funds accumulated to repay such debt representing $720 per capita. And, unlike Manitoba, Ontario for example, does not maintain sinking funds for debt retirement. On a per capita basis, Manitoba's net debt is $5,569.

Certainly, it is true that if visionary governments, particularly those led by Premiers Roblin and Schreyer, did not have the foresight to invest in Manitoba's future, we would not have that debt. But we would also lack many of those assets which we all value and from which we all benefit. And, according to Professor Barber's Report last year, the value of those assets outweighs the debt by about two to one. Would we really be better off not having incurred the debt the Roblin and Schreyer Governments undertook to build the Norquay and Woodsworth Buildings, and instead be paying increasing amounts of rent to others for the same space?

That focus on gross per capita debt also misses the fact that major portions of Manitoba's debt are entirely self-sustaining and not a charge to the Provincial Treasury. More than half of our net debt relates to investment in Manitoba Hydro ($2,404 per capita) and the Manitoba Telephone System ($480 per capita). In each case, the debt is being financed by rates charged consumers through hydro bills and telephone bills which are among the lowest in North America. Our net per capita debt would be $480 lower if Manitoba followed the path of other provinces with private sector telephone systems, but would we be better off without the debt and with basic telephone charges of $12.35 monthly as in Toronto, over 70% more than the $7.20 monthly charge in Winnipeg, keeping in mind that the $7.20 monthly charge includes interest payments on the Manitoba Telephone System debt? Would we really be better off without our renewable hydro-electric energy system and greater reliance on scarce fossel fuels? I think not. But those who focus on gross per capita debt convey the impression that our people and businesses would be better off with less debt and higher telephone and energy costs.

In overall terms, Manitoba's net debt per capita financed by taxpayers amounts to $2,304, or just over one-third

of the gross per capita debt. That is the debt now outstanding which helped build our provincial roads, highways and bridges; the floodway; our universities, and colleges and schools; our hospitals, and our public buildings. Professor Barber's Report last year put the value of those assets at more than $4.4 billion or over $4,000 per Manitoban.

Both last year and in 1982-83, our Government felt that providing the needed support to our economy warranted a significant increase in total budgetary requirements. Certainly, I would welcome debate and discussion on that point.

I would note that the same conclusion regarding the need for public sector stimulation in recessionary times, is shared by and reflected in the comments of representatives of a number of important financial institutions highly regarded in the international financial community. For example, Dr. Albert Wojnilower, a Managing Director of the First Boston Corporation, said recently:

> "Government deficits may well promote rather than deter investment. The government may borrow to finance its own investment outlays. It may borrow to finance grants-in-aid that are earmarked for state and local investment outlays. It borrows to finance the investment tax credits, accelerated depreciation allowances, and other subsidies that support private investment. Would narrowing the budget deficit by the abolition of these tax incentives promote private capital spending? It is hard to visualize realistic circumstances in which a larger deficit would not be associated with larger profits and investment than if the deficit were smaller."

Finally, I would remind the Conservatives that the Report of the Provincial Auditor for 1982-83 marked the first time in ten years that the Auditor issued an unqualified report on the financial affairs of the Province. For each year in the preceding decade, the Auditor expressed reservations regarding the accountability and management controls within government. I believe it is noteworthy that, for our first full year in office, the Provincial Auditor was able to endorse our stewardship and conclude that "the accountability system has progressed to the level that the qualification...is no longer required to be made."

BUDGETARY POLICY - CIRCUMSTANCES AND CHOICES - 1984-85

Now that we appear to be emerging from the recession, we believe greater importance must be placed on longer-term measures to improve the economy while preserving essential public services.

Of course, our ability to devote required resources to economic improvements and on-going programs while maintaining competitive tax levels, depends in part on the equalization support available from the federal government. Unfortunately, under current arrangements based on the five-province so-called representative average system, these payments are insufficient to raise the recipient provinces to the national average.

That has implications for the capacity of the current equalization formula to achieve the purpose ascribed to it in the Constitution, to ensure:

> "that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

It also has an impact on the degree to which all six equalization provinces can provide adequate public services while holding their tax rates to levels competitive with the four richest provinces.

For Manitoba, the shortfall is in excess of $220 million annually or $840 per family of four. To put it another way, that $220 million deficiency in equalization represented more than 90% of the Province's $236.5 million operating deficit last year.

Manitobans, like all Canadians, recognize the financial situation facing the federal government. However, our Government will continue to urge the federal government to respect fully the spirit of the constitutional commitment and resume provision of fair and equitable equalization support to recipient provinces based on the all-province national average.

In last year's Budget I noted that Manitoba faces the prospect of a significant drop in equalization receipts at the end of 1984-85, when the current transitional arrangements are scheduled to expire. I have discussed this concern with the federal Minister of Finance on a number of occasions. While modified transitional arrangements have yet to be put in place, he

has assured me that no such reduction in Manitoba's equalization entitlement had been intended when the initial transitional arrangements were developed. I am, therefore, looking forward to appropriate federal remedial action before the end of the year.

Mr. Speaker...our budgetary choices for 1984-85 take the equalization pressures into account. The challenges have been difficult. But I believe our decisions reflect the wishes of the vast majority of Manitobans. Essential programming will be maintained and in some cases enhanced, and additional resources will be devoted to improving our long-term economic performance.

MAIN EXPENDITURE ESTIMATES - 1985-86

Mr. Speaker...the Expenditure Estimates I am tabling tonight reflect our commitments to safeguard, protect and enhance essential public services and to increase measures to improve the long-term development of the provincial economy.

General Government services have been limited to increases which average less than 1.5% excluding the Civil Service Commission. This, together with reduced statutory payments, which I will discuss later, facilitated the deployment of additional resources for economic development measures and important public services while holding overall spending growth to moderate levels.

In overall terms, spending growth has been held to $130.9 million, about 3.9% above the amounts budgetted last year.

Yet, led by an enhancement of the Manitoba Jobs Fund, economic development initiatives will receive a larger increase, close to 6%, in budgetary authority.

And, health, education and other social programs will also receive increases of close to 6%.

As usual, further information will be made available by the Ministers responsible during the review of Estimates in Committee of Supply. At this time, I would like to outline some of the main highlights in the Expenditure Estimates.

ECONOMIC DEVELOPMENT AND THE MANITOBA JOBS FUND - BUILDING FOR TODAY AND TOMORROW

The most important initiative in the Budget last year was the creation of the Manitoba Jobs Fund.

The Jobs Fund gave our Province the resources and the coordination we needed to step up our attack on unemployment.

My colleague, the Minister of Industry, Trade and Technology, who has overall responsibility for the Manitoba Jobs Fund, recently reported on its success over the past year:

- over 21,000 Manitobans employed on Jobs Fund projects;
- about $157 million in additional commitments by the business community, the federal government, local authorities and others;
- about $15 million in wage assistance to help the private sector maintain employment opportunities; and
- over $70 million in new capital construction and asset renovation, and that doesn't include housing programming or several other major capital expenditures.

Last year, the Budget made it clear that:

> "...much as we would like to achieve it, the $200 million in the Jobs Fund cannot and will not be expected to create a full employment situation in our Province. Our unemployment rate will remain high -- probably unacceptably high -- until there is a major recovery nation-wide.
>
> But -- the Jobs Fund will make a difference...."

And, it has made a difference.

There are 14,000 more Manitobans with jobs than there were a year ago.

And, our unemployment rate is the lowest in Canada.

The Manitoba Jobs Fund isn't the only reason the statistics have improved. Of course, there are other reasons

too. But the Jobs Fund has been an important factor, and we feel it should keep on working for Manitoba.

Some Conservatives have said the improvement would have happened anyway. That is exactly the kind of complacent, do-nothing attitude that set this Province so far back between 1977 and 1981. Manitobans don't want that kind of Government, and on November 17, 1981, they showed it.

As last year's Budget explained, the Jobs Fund was set up with a dual purpose:

- jobs today,

- plus other long-term benefits to the Manitoba economy.

This year, with improvement in our economy, we intend to shift more of our efforts from shorter-term job creation to longer-term job opportunities.

At the conclusion of my Address tonight, I will be tabling on behalf of the Minister responsible for the Manitoba Jobs Fund, a background paper describing the broadened mandate and new directions planned for the Fund this year.

For example, last year, the Venture Capital Trial Program invested almost $1 million with Manitoba businesses which helped create 167 new jobs and retain 137 more. As a result of the success of the trial project the Fund will commit $4 million to the program this year.

I believe the new, long-term thrusts outlined in the Jobs Fund paper will be of interest to all Manitobans.

The Jobs Fund will continue to help create immediate jobs, as it did in the first phase of our development strategy, but its emphasis will shift so that the Fund will act more as a catalyst for the private sector, helping to harness private resources in the creation of long-term jobs and economic growth.

That is what a mixed economy is all about, the private sector and the public sector working together to build a better Manitoba.

Our history has shown that, to grow and prosper, Manitoba needs a strong, ongoing commitment from both sectors. The Manitoba Jobs Fund symbolizes that commitment, and is helping to make it even stronger.

For the 1984-85 fiscal year, we are proposing a total Jobs Fund authority of $210 million, including $91.2 million in budgetary authority, and $118.8 million in non-budgetary or "Loan Act" authority.

Jobs Fund investments in the coming year will be targetted at twelve key sectors and priorities grouped in three broad categories, areas which have among the greatest potential for growth and long-term job opportunities.

The $91.2 million budgetary allocation includes:

- $35.4 million for Business Development;

- $20.1 million for Housing, Urban Development and Human Resources; and

- $35.7 million for Community and Capital Assets.

We in Manitoba are fortunate to have an economy which gives us such a wide range of opportunities. Strengthening these sectors will add to our diversity and guarantee even more stability in the years ahead.

Building on cooperative efforts with the business community, the federal government and local authorities, will continue to be a major goal of the Manitoba Jobs Fund.

Five months ago, Manitoba became the first Province to enter into a new, ten-year Economic and Regional Development Agreement with the Government of Canada. That Agreement, and the subsidiary agreements which accompany it, will mean over $800 million in economic development expenditures in our Province during the next five years.

The Manitoba Jobs Fund will be the main source of financing for our Province's expenditure under these Agreements. The general Enabling Vote and departmental appropriations will provide the balance, as well as financing for ongoing agreements such as the Northern Development Agreement, the Core Area Initiative, and the Agreement covering redevelopment of the North of Portage.

Mr. Speaker...the Estimates contain provisions for other economic programs as well.

And, later in my Address, I will be announcing some selective tax reductions to support our economic development strategy.

Agriculture

Total expenditure devoted to supporting the farm community through the Agriculture Department will increase by 7.2%.

We are pleased to be able to provide this increase to improve the health and security of the agricultural community, which is one of the bulwarks of the Manitoba economy.

With this year's increase, the resources allocated to programs serving this vital sector will be 48% more than in 1981-82. Inflation, including the forecast for 1984-85, will total about 20% over the same three-year period. In short, our budgetary commitment to agriculture has increased by more than double the rate of inflation since 1981-82. That is indicative of our continuing commitment to agriculture.

This year's direct spending represents about $2,900 per farm family based on the approximately 20,000 Manitoba farmers with over $10,000 in gross receipts from farming at the time of the 1981 Census.

I should add that this expenditure total does not include the value of the various Manitoba tax preferences and exemptions for farmers, including over $37 million from sales tax exemptions and the Farm Capital Gains Tax Rebate Program. Nor does it include any portion of the spending of the Department of Highways and Transportation to assure products can be moved to market. Counting one-sixth of our annual expenditure on highways as being related to Agriculture, support for the farm community would total at least $128 million, or over $6,400 per farmer.

In addition, the stability of the agricultural sector will be bolstered by additional non-budgetary capital authority of $48 million for the Manitoba Hog Income Stabilization Fund, the Manitoba Beef Stabilization Fund and the Manitoba Agricultural Credit Corporation.

Strengthening agriculture also means strengthening food processing, transportation and the packing house industry, and long-term jobs for Manitobans.

Housing

Housing construction makes a significant contribution to the private sector of our economy. Hundreds of construction

firms, contractors and suppliers have benefitted directly from the three-fold increase in housing starts in Manitoba in 1983, the strongest increase among all provinces. And, the spin-offs from new residential construction have provided stimulus to our sand and gravel industry, and to wood, furniture and fixture industries in the manufacturing sector; to retailers and wholesalers and a large segment of our economy.

The strength of the housing sector and success of provincial and federal initiatives contributed to a fifty per cent increase in construction industry employment between the first quarter of 1983 and first quarter of 1984, and additional jobs throughout the economy.

The Estimates include an additional $3.9 million, or close to 10%, for housing, raising the budgetary allocation of the Department of Housing to $43.5 million in 1984-85.

The Manitoba Housing and Renewal Corporation will receive $73 million in new non-budgetary capital authority. In addition to creating housing for Manitobans, many construction jobs will result from our positive housing thrust.

Summary

This Budget increases our continuing program of economic initiatives by 5.7% in 1984-85, and accounts for nearly one-quarter of the total increase in the Estimates. Through these economic development initiatives, Manitobans will be investing $2,180 per family of four this year to increase our economic strength in the future and create long-term jobs for our people.

Our Government believes these economic development initiatives will provide returns which go well beyond immediate increases in employment and incomes. Both directly, and through the increased spending made possible by putting more money in wage-earners' pockets now, these initiatives add significantly to the strength and viability of Manitoba's farm and business communities. The economic foundations which we are laying will help our economy generate permanent, productive employment and incomes. The revenue accruing to Government from increased economic development will help reduce operating deficits over the coming years, while assuring adequate resources for important public programs and services which contribute immeasurably to the quality of life in our Province.

THE MAINTENANCE AND ENHANCEMENT OF PUBLIC SERVICES

Mr. Speaker...earlier I indicated that the second major objective of the Budget is the preservation and protection of essential public services.

Our Government is committed to the maintenance and enhancement of those public services, health, education, economic security and other programs, which make Manitoba an attractive place to live and work. The major enhancement of those services which has occurred since this Government took office will be maintained.

Health Care - A Paramount Priority

Our Government believes that health care is the most important public service we provide, and the Estimates reflect this view. Total resources devoted to health care will account for over 31% of our budgetted expenditure this year and 44% of the increase in spending, by far the largest percentage for any program.

The Health Estimates include provision for an increase of $57.6 million, or close to 6%, to a total of almost $1.1 billion.

Since assuming office and presenting our first Budget in 1982, we have increased the resources available for health care by $357 million, or by very nearly 50%. This brings the real, inflation-adjusted increase in resources for the health care system, since we assumed office, to nearly 30%.

The sharing of the costs of health care between the federal and provincial governments remains an area of some controversy. Our Government fully supports the provisions of the new Canada Health Act to guarantee no financial barriers to health care. At the same time, we are strongly urging the federal government to take steps to become a full and equal partner in the financing of health care.

Mr. Speaker...the value of the health services provided in this Budget is over $1,000 on average for each Manitoban, or $4,000 for a family of four. In our Province we do not penalize the sick through health insurance or user charges.

By North American standards, Manitobans enjoy a remarkably efficient and inexpensive health care delivery system. Two years ago, according to the Conference Board, the American health care system cost each American an average of $1,785

(Canadian), or $6,940 annually per family of four. Of this amount, 42%, or $2,915 was paid for by the government with taxes levied on citizens, 32% was paid directly by patients, while the very substantial health insurance premiums which Americans pay covered only 26% of health costs.

Presently, a young family of four living in North Dakota, regardless of its income, would pay about $248 monthly or about $3,000 annually, for Blue Cross coverage. To put this in context, this amount would represent the entire federal and provincial income taxes paid by a Manitoban earning $11 per hour and still only provide that family with partial coverage.

That is why it is so important to protect Medicare in Canada and in Manitoba, and that is why health care is such a high priority for this Government.

Education - An Investment for the Future

As every parent knows, our education system represents a sound investment in young people and other Manitobans who require new or upgraded skills. We are, therefore, proposing to increase spending on education by $35.4 million, or 5.7%, to $654.3 million. In addition, to relieve school divisions of unnecessary borrowing costs, we are proposing to accelerate the schedule of payments to school divisions commencing next January.

The education services financed in this Budget amount to some $2,475 per family of four in Manitoba.

Our education spending will be up $155 million, or 30%, since 1981, substantially exceeding inflation and reflecting our continuing commitment to quality educational opportunities for all Manitobans.

Employment, Social and Economic Security

The Estimates provide a $30.4 million, or 6% increase in resources for Community Services and Corrections, Employment Services and Economic Security and Tax Credit payments. Included in this total is a 20% or $2.8 million increase in grants and subsidies for day care.

OTHER EXPENDITURE

Civil Service Commission

Civil Service Commission expenditure represents 1.3% of total spending and is expected to increase $8.8 million over the amount voted last year. Major components of the increase include federal Unemployment Insurance and Canada Pension Plan premiums, up $5.4 million, and the Government's contributions to Civil Service pensions, up $1.7 million.

Statutory Finance Payments

Public debt interest charges are primarily the costs of prior years' capital programs and operating deficits. Much of the accumulated debt has been incurred to build lasting infrastructure which will benefit Manitobans over many years. Just as the homeowner makes interest payments on his or her mortgage, so does the Province on its debt.

While those charges are a concern, they remain moderate in relation to other provinces. Last year, Manitoba's public debt charges were fourth lowest among the provinces.

These costs are estimated at $253.1 million for 1984-85, including accounting adjustments recommended by the Auditor. Public debt charges represent 7.3% of spending, compared with 8.5% in last year's Estimates.

Hydro rate stabilization costs are estimated at $12.6 million, approximately half of last year's requirements.

SUMMARY

To summarize, the Estimates reflect our commitment to devote significantly more resources to economic development and job creation which we believe is an important investment in our economy to secure permanent, productive and rewarding job opportunities for Manitobans now and in the future.

While containing overall spending growth to under 4%, these Estimates also demonstrate our commitment to maintaining and enhancing essential public services and particularly health care.

TAXATION POLICY - 1984-85

Individual Manitobans and businesses benefit directly from the broad range of high quality programs and services provided by Government. I believe all recognize that the continuation of such services requires taxation.

Since our election to office over two years ago, our Government has resisted pressures for indiscriminate cuts in programs and services. Instead, we have maintained and enhanced vital public services. We have not shirked from the responsibility of increasing taxes where absolutely necessary. But the increases implemented have been tailored to maintaining Manitoba's taxes at competitive levels.

That commitment to assuring a competitive tax system in Manitoba has proven its worth in the actions and initiatives of our people. As Members know, in our Government's first two years, Manitoba recorded triple the job creation record of the last two Tory years. And new capital investment plans in Manitoba for 1984 are proceeding at a pace which outstrips all other provinces.

In line with our commitment to the maintenance of competitive taxes, there will be no general increase in sales taxes, fuel taxes, personal income taxes or business taxes this year.

Selective Tax Increases

There will, however, be two tax increases to help finance important public initiatives.

- First, effective midnight May 27th, the tobacco tax will be increased 0.5¢ per cigarette to 2.6¢, and the rates on fine cut tobacco products will be adjusted as well. This will place our tax just below Saskatchewan's and considerably below Ontario's when its sales tax on tobacco products is taken into account.

- Secondly, effective midnight April 30th, the diesel fuel tax rate on locomotive railway use will be increased by 1.5¢ per litre to 7.1¢. At the new rate, railways will continue to pay 1.5¢ per litre less than on-highway use and slightly over half the 13.6¢ rate in Saskatchewan. I might add that our gasoline tax

rate will remain at 7.5¢ per litre, the lowest literage rate among the fuel tax provinces. Based on a price survey on April 16th, the current Manitoba tax is four-tenths of a cent lower than the 20% ad valorem rate introduced by the former Conservative Government, and removed by our New Democratic Government.

In total, these tax increases, along with technical adjustments outlined in the appended material, will raise approximately $19.3 million annually, and $16.5 million this year.

Tax Reductions

I am also proposing three significant tax reductions to help stimulate the recovery and ensure that the fruits of a growing economy are equitably shared.

Manufacturing Investment Tax Credit

Earlier in my Address, I referred to the strength of the recovery in the Manitoba economy. Our Government is anxious to use this strength to deepen Manitoba's economic base.

All Manitobans recognize the value of increased investment in manufacturing and processing. New investment is needed to modernize and upgrade equipment and assure that Manitoba business takes maximum advantage of new technologies. Our enterprises require new production efficiencies to preserve, protect and enhance their ability to compete in domestic and world markets.

I am, therefore, proposing to introduce a temporary investment tax credit as an extra incentive for investment in new production facilities to complement the thrusts of the Manitoba Jobs Fund. The credit against Manitoba's income taxes will be 6% of a taxpayer's investment in new buildings, machinery and equipment which are used in Manitoba in a manufacturing or processing business. It will apply on all such eligible new investments incurred between Budget night and December 31, 1985.

The credit will be claimable to the extent of the first $15,000 of Manitoba income tax liability and one-half of any excess over that amount. Any credit not claimed in the current year may be carried forward against Manitoba income taxes for the seven succeeding years. It will be available to individual

manufacturing or processing proprietorships as well as corporations.

I would like to extend my appreciation to the federal government for its cooperation in the administration of this new and innovative Manitoba incentive.

We are expecting that this measure will deliver some $10 million in additional tax incentives for manufacturing and processing enterprises.

Levy Exemption for Small Employers

Members will recall that in response to cutbacks in federal support two years ago, our Government implemented the Levy for Health and Post-Secondary Education. Currently, the Levy represents under 7% of the overall costs of health and education in the province. Our Government continues to feel that the Levy is the best approach to securing the needed replacement revenue.

However, following a review of concerns expressed by smaller employers, and in light of our improved fiscal position, I am pleased to announce that, retroactive to January 1, 1984, the Levy will be eliminated in its entirety for all employers with annual payrolls under $50,000.

An estimated 18,000 Levy payers or two-thirds of the total will be relieved of their entire Levy obligations and related administrative requirements. An additional 2,000 taxpayers with payrolls under $75,000 will benefit from reduced Levy payments. The Levy savings for small employers are estimated at $6 million annually and $7 million in the current fiscal year.

I expect that this measure will be of particular benefit to small enterprises with seasonal employees, small charitable and service organizations, farmers, and small businesses in general.

I will be listening with interest during the Budget debate to hear whether the Conservatives will persist in their view that a 2% increase in the sales tax would be preferable. If, on the other hand, they merely say that the tax should be eliminated without increasing other taxes, they must surely, in all honesty, tell the public whether they would increase the deficit or what programs would be cut as an alternative.

Personal Taxes Cut for Lower Income Manitobans

I am also proposing an enrichment of the Manitoba low income personal income tax reduction initially introduced by the New Democratic Government in 1977. Under the enrichment, some 60,000 low income taxfilers will have their provincial income taxes reduced by an average of $55 this year at an overall cost of $3.5 million. This measure should be of benefit particularly to pensioners, single parents, students and other low income Manitobans and is intended to provide lower income Manitobans with a direct and tangible share in the benefits of recovery.

Details of these tax changes and other technical changes are included in supplementary material I am tabling with the Budget Address.

The overall effect of the reductions will be to provide additional annual benefits of about $19.8 million concentrated among small businesses, expanding manufacturing enterprises, farmers, and low income Manitobans.

Since $10.8 million in tax reductions is expected to affect revenue in the 1984-85 fiscal year, the overall effect on this year's revenue, including the tax increases announced earlier, is an increase of $5.7 million.

BUDGETARY POSITION - SUMMARY

The Expenditure Estimates tabled with the Budget provide resources totalling $3,457.6 million to finance the important public services Manitobans need and enjoy, about 5.9% more than projected for last year in the Third Quarter Financial Statement. The overall spending increase is $130.9 million, or 3.9% over last year's Budget estimate.

Significant increases have, however, been devoted to areas of paramount priority. The health care system will receive an increase of $57.6 million, or close to 6% over the latest projection for last year, and needed additional resources are being devoted to strengthening economic development initiatives which have already helped turn our economy from recession to recovery and growth.

Our Government takes pride in that turnaround. During the period of more significant economic difficulty, our operating deficit rose to provide increased nourishment and support to people and enterprises threatened by the recession. Now that the economy is improving, it is appropriate and necessary that our budgetary requirements for general programs and services be reduced from the levels needed to fight the recession.

With the taxation adjustments I have announced, overall revenue is estimated at $2,969 million, some $221 million, or 8%, above last year's estimate.

The result is a major decrease in the Province's net operating deficit of $127.2 million, or 43%, from last year's Budget estimate of $294.8 million, down to $167.5 million for 1984-85.

As a percentage of spending, the net operating deficit has decreased significantly from 8.9% in last year's Budget to 7.2% in the Third Quarter Financial Statement, and to 4.8% for 1984-85. Similar improvement is evident when the operating deficit is compared with Gross Provincial Product, with the deficit percentage dropping from close to 2% in last year's Budget to about 1% this year.

Our emphasis on investment is reflected in the $37 million, or 13% increase in budgetary capital investment to $321.1 million from last year's $284.1 million. Total budgetary requirements are estimated at $488.7 million compared with $578.9 million estimated last year.

Our Government takes pride in the budgetary capital investment increase. It demonstrates the continued confidence our New Democratic Government has in Manitoba's future and our determination to increase the physical assets available to our children and our children's children.

We are also proud of the 43% decrease in the net operating deficit. It demonstrates that governments committed to preserving and protecting essential public services can meet effectively the challenges of restoring fiscal balance as the economy recovers from the recession. Perhaps more importantly, it demonstrates that humane and compassionate governments can meet important fiscal objectives in a spirit of cooperation, and without the divisive and confrontationist actions and indiscriminate cutting of vital services that appear to be popular in some jurisdictions.

NON-BUDGETARY CAPITAL REQUIREMENTS

Mr. Speaker...our Government plans a non-budgetary capital investment program of $665 million for 1984-85, approximately 28%, or $144 million greater than last year. This will be financed with $154 million in internally-generated funds, $176 million in capital authority voted in previous years, and $335 million in new authority in this year's Loan Acts.

Total borrowing requirements for 1984-85 are now estimated at $1.1 billion, down $200 million from last year's estimate. The total includes budgetary requirements, non-budgetary requirements and refinancing of issues which become due during the year. The Canada Pension Plan and other off-market sources are expected to provide $130 million with the remaining $970 million to be raised through public bond markets.

CONCLUSION

Last year marked a major transition for our Province. Our economy turned the corner from recession to renewed growth. Increased employment, accelerated by the Jobs Fund and other initiatives, brought new job opportunities for our people. Targetted provincial programs brought improved asset creation. Increased housing activity brought more and better quality housing within the reach of Manitobans. Increased population brought renewed demand for Manitoba products and services.

Public spending brought a renewed sense of basic security and confidence to individual Manitobans who recognized that our New Democratic Government would preserve and enhance the basic network of important social, economic and health care programming which is the hallmark of our Party's policies.

Open and productive cooperation with the business community, reflected in measures to help and support their initiative, helped preserve their basic confidence in Manitoba's fundamental economic strengths. Improved business confidence brought increasing investment at one of the most rapid rates throughout Canada.

The lesson of Manitoba's experience is that humane and compassionate government dedicated to protecting essential public services in difficult times as well as in better times is also responsible government. While some administrations used the recession as a justification for attacks on social programming with restrictions on access and implementation of regressive premium increases and user fees, ours did not.

Our transition through the recession and into the period of economic renewal has been accomplished with all priority services fully intact. We do not have to face the task of rebuilding those public services which will face some other governments and which faced our Government on assuming office two and one-half years ago. That is a major advantage to our Province now in equipping us to strengthen efforts to improve the long-term health of our economy.

The foundations laid in our previous Budgets are firm and strong and durable. We are now in a position to reap the benefits. And those benefits are substantial. Let there be no doubt about that.

We are protecting and preserving all vital public services and devoting needed increases in resources for our health care system within moderate overall spending limits.

We are reducing the Province's net operating deficit from the levels necessary to fight the recession.

We are maintaining for all Manitobans one of the fairest and most equitable tax systems in the country, a system with no reliance on regressive health premiums or user charges.

We are providing additional reductions in taxes for small businesses and lower income Manitobans.

We are instituting some significant new incentives for investment in manufacturing.

We are increasing resources for economic development to foster creation of productive, rewarding and lasting jobs.

Most importantly, we are acting to protect our human, social and economic integrity in accord with the fundamental principles of fairness and compassion, principles which our Party and our Government have worked so hard to uphold.

Thank you, Mr. Speaker.

SUPPLEMENTARY BUDGET MATERIAL

Contents

Appendix A: FINANCIAL STATISTICS

Appendix B: ECONOMIC REVIEW

Appendix C: TAXATION ADJUSTMENTS

Appendix A:

FINANCIAL STATISTICS

Appendix A
FINANCIAL STATISTICS
Table of Contents

	Page
Summary of Budget Position	A 1
Provincial Expenditure: Major Categories, 1984-85	A 2
Provincial Program Expenditure for a Family of Four	A 2
1984-85 Expenditure Estimates (Summary)	A 3
Provincial Revenue: Major Sources, 1984-85	A 4
1984-85 Revenue Estimates (Summary)	A 5
Government Expenditure: Interprovincial Comparison	A 6
Government Employees: Interprovincial Comparison	A 6
Health Expenditures: Interprovincial Comparison	A 7
Non-Budgetary Capital Authority, 1984-85	A 8
Net Refunding Requirements by Fiscal Year	A 9
Statement of Valuation and Purpose of Debt Outstanding	A 10
Direct and Guaranteed Debt: By Purpose	A 11
Total Debt Per Capita: Interprovincial Comparison	A 12
Per Capita Debt Charges: Interprovincial Comparison	A 13

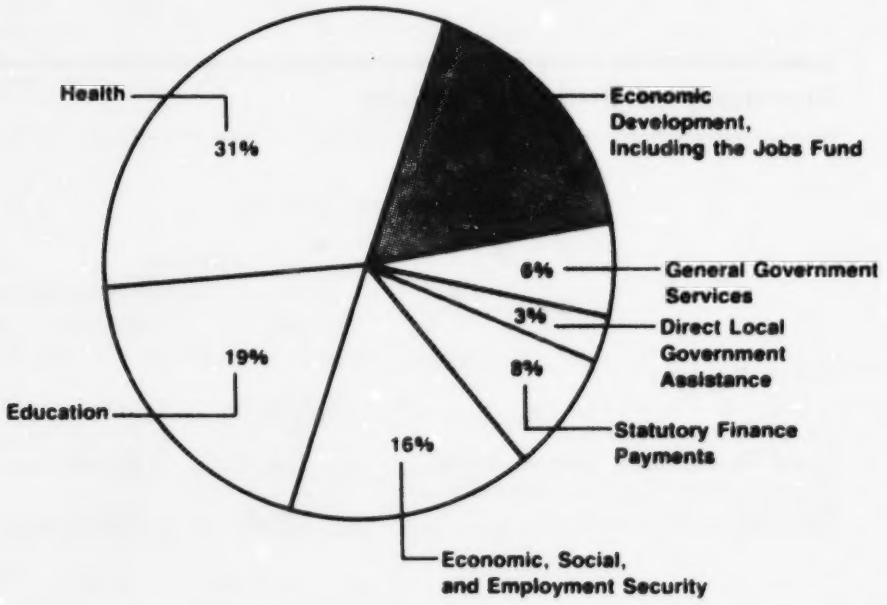
FINANCIAL STATISTICS

Summary of Budget Position

(Millions of Dollars)

	1983-84 Budget	1983-84 Third Quarter Projected	1984-85 Budget
Total Current and Capital Expenditure	3,326.7	3,262.4	3,457.6
Less: Total Revenue	2,747.8	2,770.5	2,969.0
Total Budgetary Requirement	578.9	491.9	488.6
Less: Gross Capital Expenditure	284.1	255.4	321.1
Net Operating Deficit	294.8	236.5	167.5

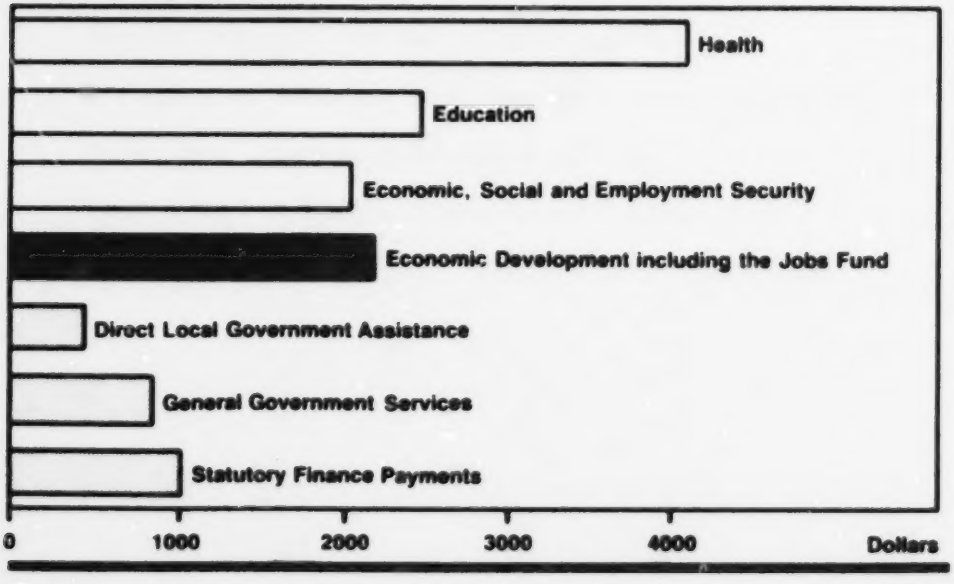
Provincial Expenditure Major Categories, 1984-85



☐ Public Services: 66% ■ Economic Development: 17% ☐ Other Expenditures: 17%

Provincial Program Expenditure, 1984-85

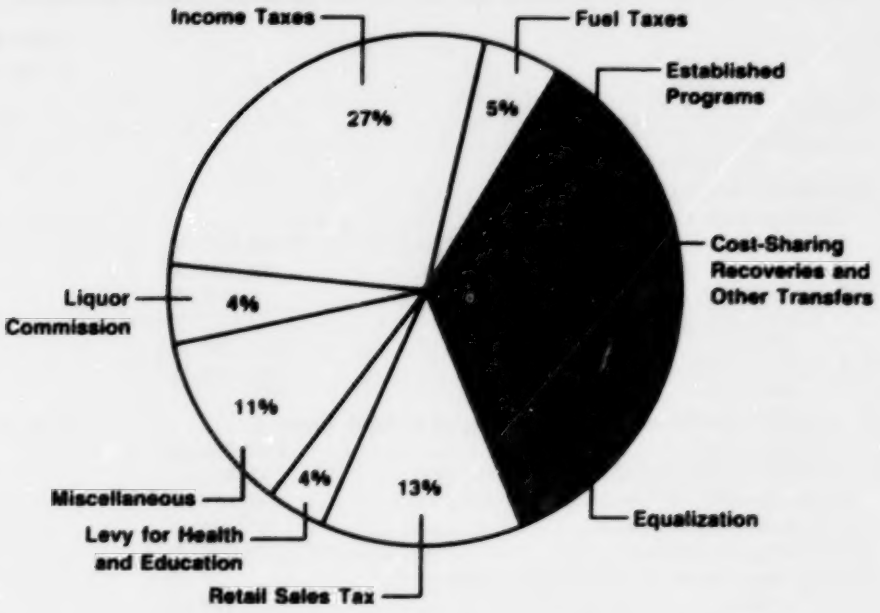
For a Family of Four



1984-85 Expenditure Estimates

		1984/85 Estimate	% of Total
Health		$1,082,022.7	31.3
Education		654,351.7	18.9
Economic, Social and Employment Security		539,978.2	15.6
° Community Services & Corrections	$156,072.4		
° Culture, Heritage & Recreation	19,524.8		
° Emergency Interest Rate Relief	4,900.0		
° Employment Services & Economic Security	173,181.0		
° Tax Credit Payments	186,300.0		
Economic Development, including the Jobs Fund		576,253.3	16.7
° Agriculture	$57,732.5		
° Business Development & Tourism	17,735.6		
° Co-operative Development	6,476.6		
° Crown Investments	650.0		
° Energy & Mines	12,895.4		
° Environment & Workplace Safety & Health	12,107.0		
° Highways and Transportation	196,602.5		
° Housing	43,470.0		
° Industry, Trade & Technology	8,653.8		
° Labour	9,229.2		
° Manitoba Jobs Fund	91,200.0		
° Natural Resources	82,634.8		
° Northern Affairs	25,622.4		
° Canada-Manitoba Enabling Vote	11,243.5		
Direct Local Government Assistance		116,390.8	3.4
° Municipal Affairs	$36,465.4		
° Urban Affairs	66,525.4		
° Local Government General Support Grant	13,400.0		
General Government Services		222,951.5	6.4
° Legislation	$ 7,441.3		
° Executive Council	3,184.6		
° Attorney-General	66,646.3		
° Civil Service	45,435.6		
° Consumer & Corporate Affairs	4,292.3		
° Finance - Departmental Programs	14,226.3		
° Government Services	80,725.1		
° Flood Control & Emergency Expenditures	1,000.0		
Statutory Finance Payments		265,678.7	7.7
		$3,457,626.9	

Provincial Revenue
Major Sources, 1984-85



☐ Own Source Revenue: 64% ■ Federal Transfers: 36%

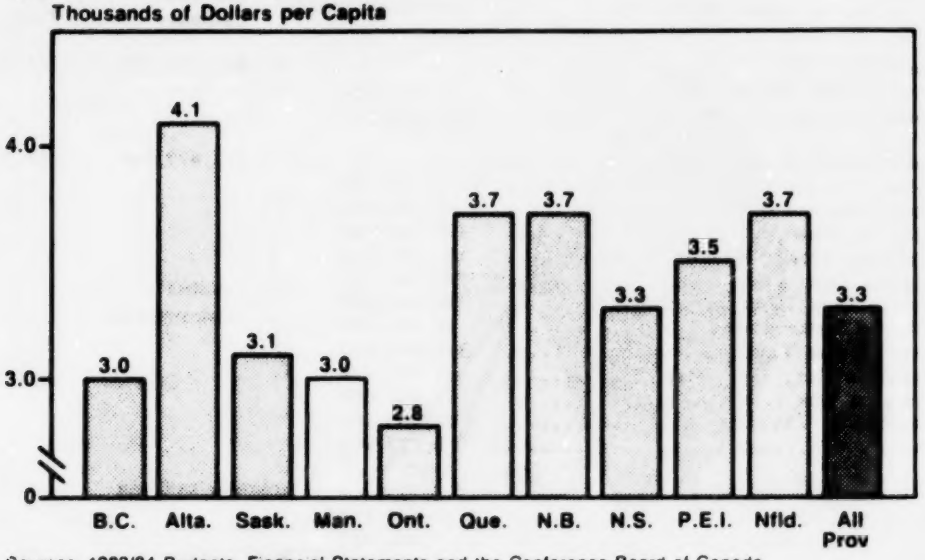
ESTIMATES	($ Millions)	(%)
Own Source Revenue		
Income Taxes	811.3	27
Retail Sales Tax	385.0	13
Fuel Taxes	147.9	5
Liquor Commission	130.0	4
Levy for Health and Education	108.6	4
Miscellaneous	321.6	11
	1,904.4	64
Federal Transfers		
Equalization	481.4	16
Established Programs	369.1	12
Cost-Sharing Recoveries and Other Transfers	214.0	7
	1,064.5	36
TOTAL REVENUE	2,968.9	100

Totals may not add due to rounding.

1984-85 Revenue Estimates

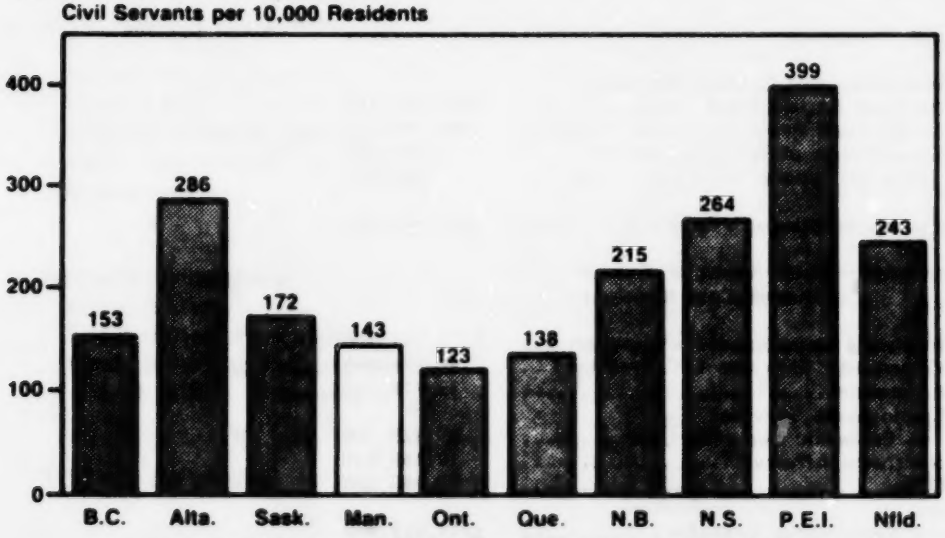
		1984/85 Estimate	% of Total
Income Taxes		$ 811,300,000	27.3
° Corporation Income Tax	$128,600,000		
° Individual Income Tax	682,700,000		
Manitoba Levies & Collections		823,477,900	27.7
° Insurance Corporations Tax	$ 16,100,000		
° Corporation Capital Tax	27,100,000		
° Gasoline Tax	100,400,000		
° Levy for Health & Education	108,600,000		
° Mining Tax	10,000,000		
° Motive Fuel Tax	47,500,000		
° Oil and Natural Gas Tax	16,000,000		
° Retail Sales Tax	385,000,000		
° Revenue Act, 1964, Part I	31,600,000		
° Tobacco Tax	65,400,000		
° Reciprocal Taxation	10,000,000		
° Other	5,777,900		
Other Revenues		139,650,900	4.7
° Fines & Costs	$ 5,290,000		
° Land Titles Fees	7,800,000		
° Minerals	1,083,600		
° Petroleum	5,712,800		
° Automobile & Motor Carrier Licences & Fees	27,376,800		
° Drivers' Licences	4,686,200		
° Lands	1,792,200		
° Parks	4,685,300		
° Water Resources	10,816,700		
° Others	70,407,300		
Liquor Control Commission		130,000,000	4.4
Federal Transfers		1,064,522,100	35.9
Unconditional and General Purpose:			
° National Equalization	$481,400,000		
° Established Programs Cash Transfer	369,100,000		
° Government of Canada Subsidy	2,200,000		
° Share of Federal Oil Export Tax	200,000		
Total Unconditional Transfers	$852,900,000		
Conditional - Government of Canada - Shared-Cost Receipts:			
° Business Development & Tourism	$ 5,061,300		
° Community Services & Corrections	54,271,000		
° Education	35,718,700		
° Employment Services & Economic Security	83,925,700		
° Northern Affairs	10,164,900		
° Other	22,480,500		
Total Conditional Transfers	$211,622,100		
		$2,968,950,900	100.0

Government Expenditure (Budgetted), 1983-84
Interprovincial Comparison



Sources 1983/84 Budgets, Financial Statements and the Conference Board of Canada

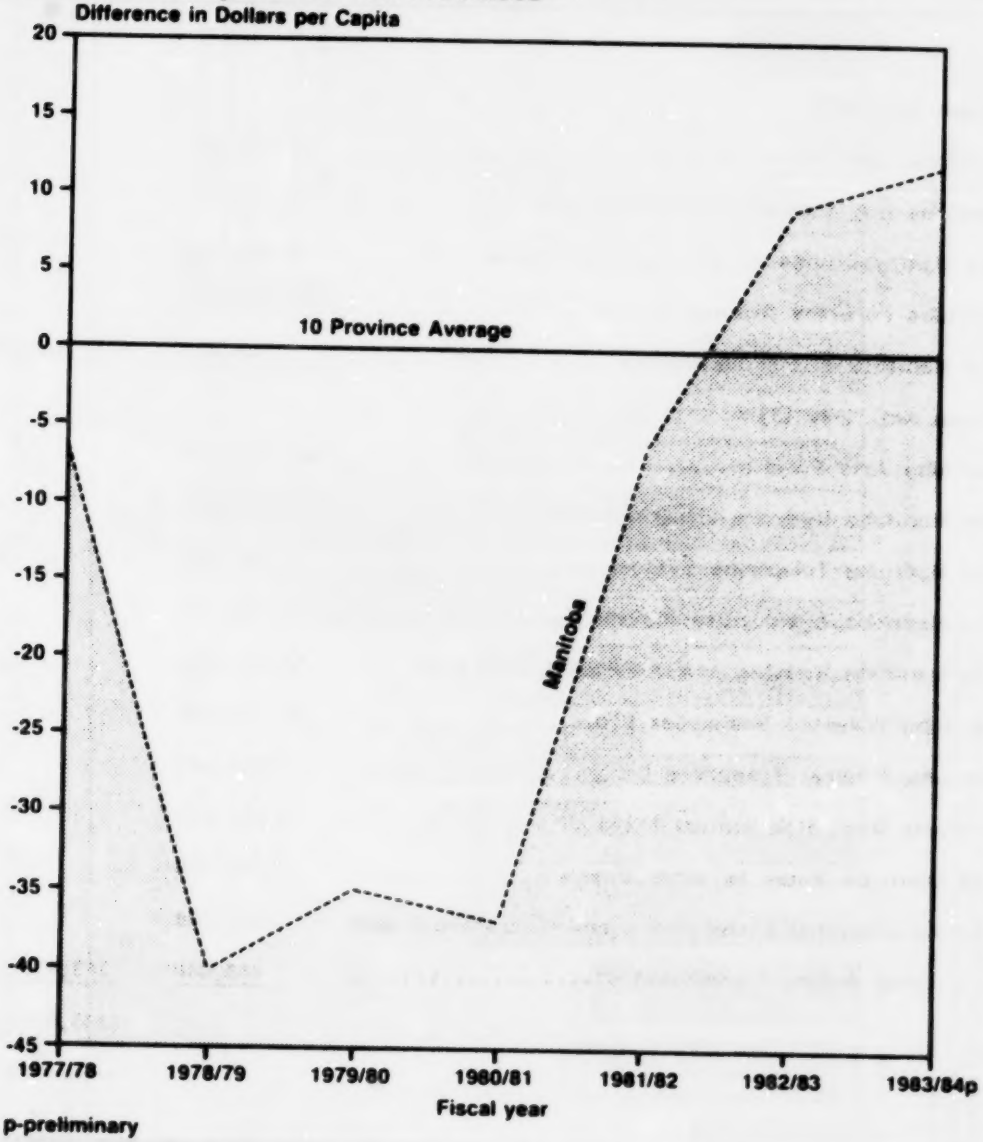
Government Employees
Interprovincial Comparison



Data as at September 30, 1983 for all provinces, except B.C.:
as at December 31, 1982 for B.C.

Source: Statistics Canada (CANSIM)

Provincial-Local Expenditure on Health Care
Manitoba Compared to Ten Provinces



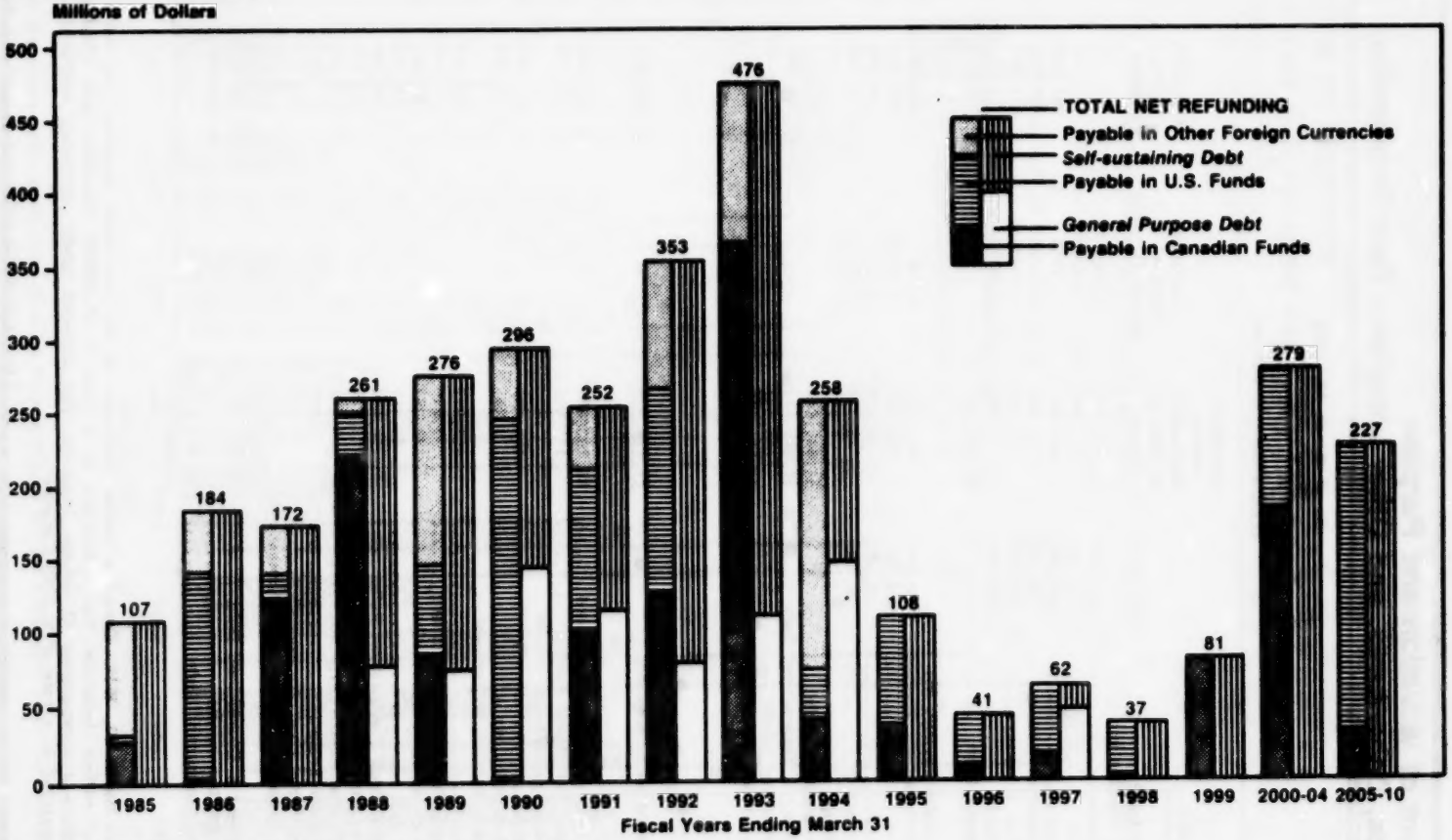
p-preliminary

Sources: Statement by Provincial Ministers of Finance and Treasurers, April 1983
Statistics Canada (populations as of October 1 each year)
Manitoba Health Services Commission
Provincial Budgets

1984-85 Capital Authority Requirements for Non-Budgetary Programs

The Loan Act, 1984		
Manitoba Jobs Fund	$39,000,000	
Manitoba Hog Income Stabilization Plan	5,000,000	
The Manitoba Housing and Renewal Corporation	15,000,000	
Manitoba Forestry Resources Ltd.	28,000,000	
The Manitoba Energy Authority	5,000,000	$ 92,000,000
The Loan Act, 1984 (2)		
Manitoba Jobs Fund	$41,000,000	
The Manitoba Hydro - Electric Board	45,870,000	
The Manitoba Telephone System	25,100,000	
The Manitoba Agricultural Credit Corporation	37,284,000	
The Manitoba Housing and Renewal Corporation	58,495,000	
Manitoba Forestry Resources Ltd.	14,322,000	
Manitoba Mineral Resources Ltd.	7,062,000	
Manitoba Beef Stabilization Fund	6,000,000	
The Manitoba Water Services Board	7,000,000	
The Co-operative Loans and Loans Guarantee Board	500,000	
The Horse Racing Commission	400,000	243,033,000
		$335,033,000

Province of Manitoba Direct and Guaranteed Debt
Net Refunding Requirements by Fiscal Year: By Currency of Payment and Purpose
as at March 31, 1984



Note: The above table indicates the amount that the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt after application of sinking funds based on the Canadian Dollar Equivalent on date of issue.

Statement of Valuation and Purpose of Bonds, Debentures, and Other Long-Term Debt Outstanding

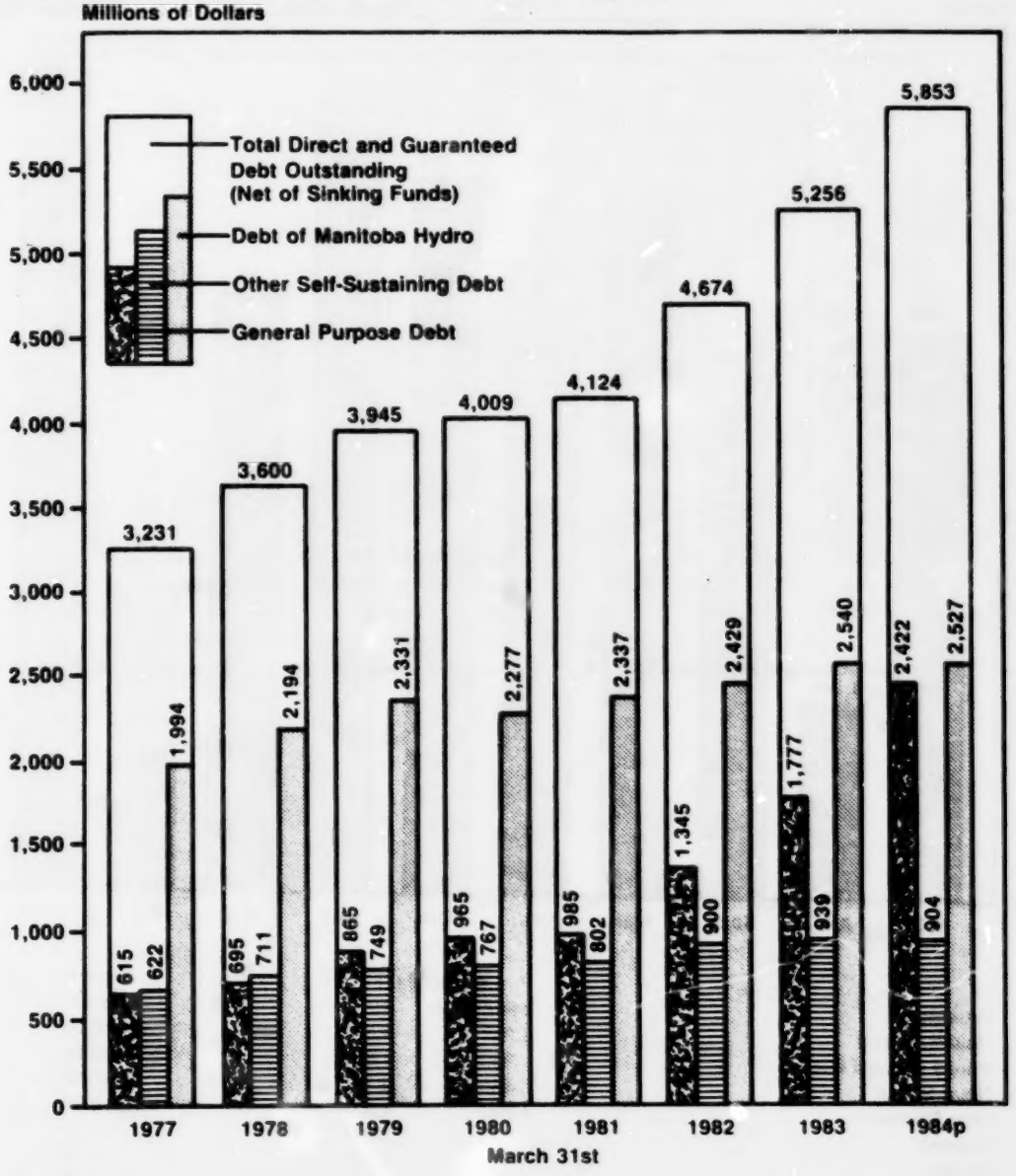
As at March 31, 1984
(in thousands)

(Preliminary Unaudited)

Valuation of Debt	Par Value	Canadian Dollar Equivalent at Date of Issue	Exchange Rate as at March 31, 1984	Canadian Dollar Valuation	Foreign Exchange Fluctuation
Direct Debt Payable in:					
Canadian Dollars	2,699,350	$2,699,350	$1.00	$2,699,350	$ -
U.S. Dollars	1,035,000	1,212,039	1.2765	1,321,178	109,139
Swiss Francs	826,000	460,899	0.5933	490,066	29,167
European Units of Account	32,415	39,898	1.4739	49,000	9,102
Japanese Yen (1)	78,100,000	386,172	0.005549	433,387	47,215
Deutsche Marks	350,000	167,944	0.4921	172,235	4,291
Total Direct Debt		$4,966,302		$5,165,216	$198,914
Guaranteed Debt Payable in:					
Canadian Dollars	640,421	$ 640,421	$1.00	$ 640,421	$ -
U.S. Dollars	926,000	930,904	1.2765	1,182,039	251,135
Swiss Francs	160,000	56,114	0.5933	94,928	38,814
Deutsche Marks	45,000	13,779	0.4921	22,145	8,366
Pounds Sterling	1,149	2,422	1.835	2,108	(314)
Total Guaranteed Debt		$1,643,640		$1,941,641	$298,001
Total Direct & Guaranteed Debt		$6,609,942		$7,106,857	$496,915
Less: Sinking Funds		756,517			
Net Direct and Guaranteed Debt		$5,853,425			
Purpose of Debt					
General Government Programs		$2,848,618		$2,938,861	$ 90,243
Other:					
The Manitoba Hydro-Electric Board		$2,792,934		$3,150,909	$357,975
The Manitoba Telephone System		551,655		597,710	46,055
The Manitoba Agricultural Credit Corporation		160,067		161,245	1,178
Manitoba Data Services		9,183		9,183	-
The Manitoba Housing & Renewal Corporation		109,037		110,501	1,464
The Manitoba Water Services Board		17,919		17,919	-
University of Manitoba		22,067		22,067	-
Jobs Fund		55,150		55,150	-
The Manitoba Beef Stabilization Fund		10,000		10,000	-
Manitoba Forestry Resources, Ltd.		11,217		11,217	-
Manitoba Mineral Resources, Ltd.		5,600		5,600	-
Venture Capital Program		1,000		1,000	-
Federal-Provincial Loan Agreements		12,717		12,717	-
Municipal, Hospital & Other Indebtedness		2,778		2,778	-
		$3,761,324		$4,167,996	$406,672
Total Direct & Guaranteed Debt		$6,609,942		$7,106,857	$496,915
Less: Sinking Funds		756,517			
Net Direct & Guaranteed Debt		$5,853,425			

NOTE 1: The March 31, 1984, Canadian Dollar Valuation of the Province's Japanese Yen Debt is based on $1.1 billion Japanese Yen converted at a rate of $0.005680 Canadian and $112.1 million U.S. Dollars (representing 27 billion Japanese Yen covered under currency exchange agreements) converted at a rate of $1.2765 Canadian.

Province of Manitoba
Direct and Guaranteed Debt: By Purpose



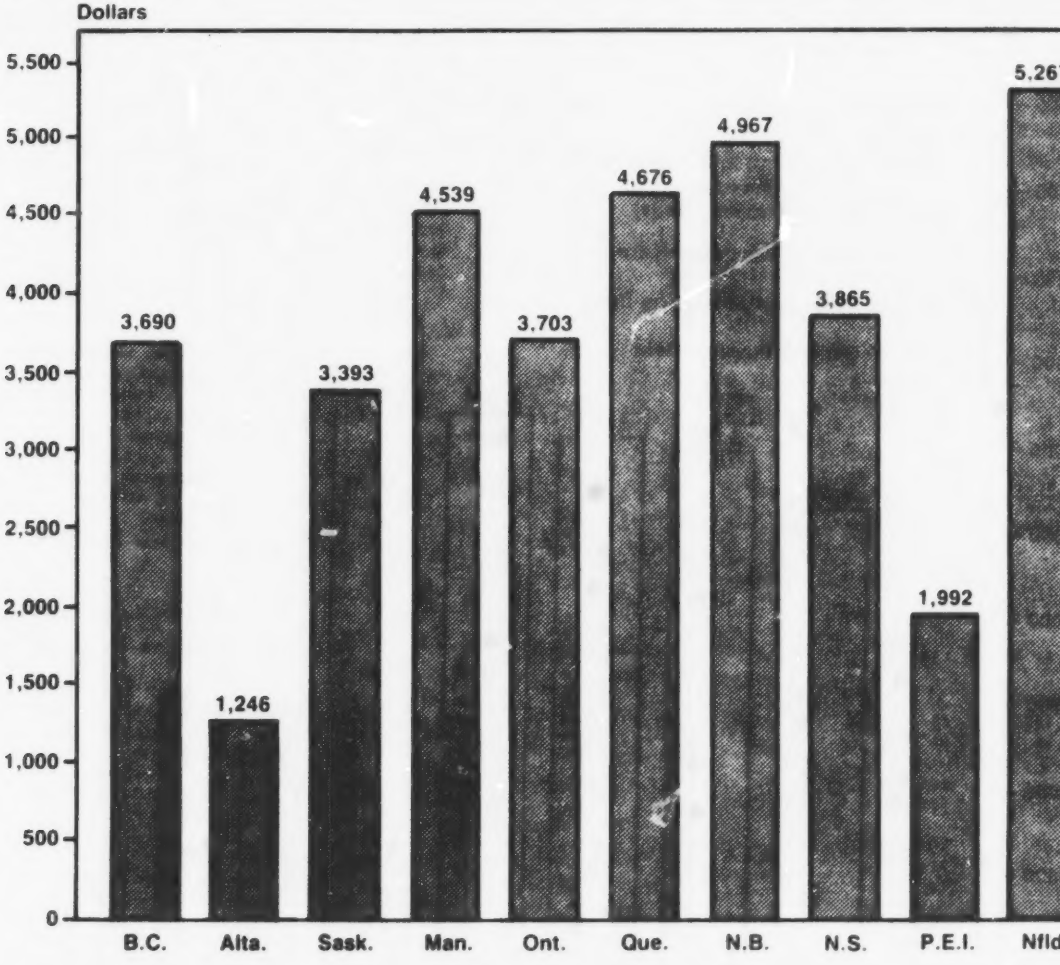
p-preliminary

Note: The above table indicates the Total Direct and Guaranteed Debt of the Province of Manitoba (after deducting Sinking Funds) based on the Canadian Dollar Equivalent on the date of issue for all foreign debt.

Total Debt Per Capita

Interprovincial Comparison

as of March 31, 1982

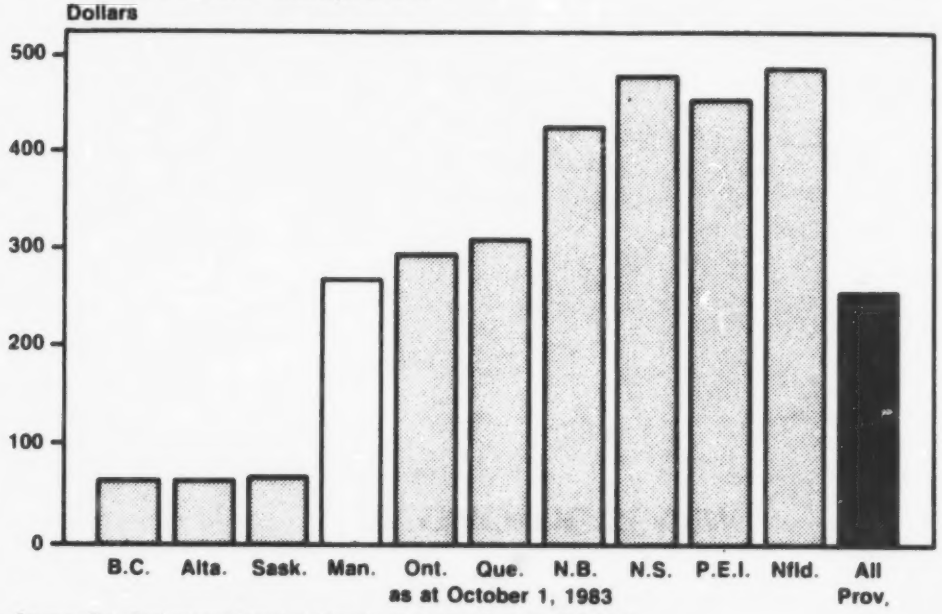


Province	March 31, 1982	March 31, 1981	Increase Per Cent
Newfoundland	5.267	4.539	16.04
Prince Edward Island	1.992	1,651	20.65
Nova Scotia	3.865	3,281	17.80
New Brunswick	4.967	4,320	14.98
Quebec	4,676	3.948	18.44
Ontario	3.703	3.334	11.07
Manitoba	4.539	4,014	13.08
Saskatchewan	3.393	2.555	32.80
Alberta	1.246	1,250	- 0 32
British Columbia	3.690	2.995	23.21

Source Bank of Montreal — Provincial Summaries, July 1983 (except B C)
B C — Province of B C Prospectus, November 1983

Per Capita Debt Charges, Budget 1983-84

Interprovincial Comparison



Source: The Conference Board of Canada, Statistics Canada (CANSIM)

Appendix B:

ECONOMIC REVIEW

Appendix B
ECONOMIC REVIEW
Table of Contents

	Page
CANADA	B 1
MANITOBA	B 5
Labour Market	B 9
Incomes	B 12
Prices	B 13
Investment	B 14
Sectoral Analysis	B 16
Agriculture	B 17
Forestry	B 20
Fishing and Trapping	B 22
Mineral Resources	B 23
Manufacturing	B 25
Housing	B 27
Utilities	B 28
Transportation and Communications	B 30
Trade	B 32
Finance, Insurance and Real Estate	B 34
Community, Business and Personal Services	B 35
Tourism	B 35
Summary	B 37

List of Charts and Tables

Charts — **Page**

1. Components of Change in Final Domestic Demand, 1982 and 1983 — B 2
2. Short-Term Interest and Inflation Rates, 1979 to 1984 — B 3
3. Real Gross Domestic Product, Manitoba and Canada, Recession and Recovery — B 6
4. Employment by Region, Pre-Recession Peak to March, 1984 — B 9
5. Net Migration, Years Ending May, 1979 to 1983 — B 10
6. Consumer Price Index, Winnipeg, and Canada, 1979 to 1984 — B 13
7. Housing Starts, 1979 to 1983 — B 27
8. Energy Consumption and Prices, 1971 to 1983 — B 30
9. Value of Retail Trade, Manitoba and Canada, 1979 to 1983 — B 33

Tables

1. Labour Market Statistics, Quarterly, 1983 and 1984 — B 11
2. Capital Investment, 1983 and 1984 — B 15
3. Employment and Real Gross Domestic Product Shares by Sector, 1983 — B 17
4. Farm Financial Statistics, 1983 — B 18
5. Mineral Production, 1983 — B 24
6. Value of Manufacturing Shipments, 1983 — B 26

Supplementary Tables

1. Sectoral Economic Indicators, 1979 to 1983 — B 38
2. Incomes and Inflation, 1979 to 1983 — B 39
3. Labour Market Statistics, Year-end, 1979 to 1983 — B 40
4. Population, 1970 to 1983 — B 41

ECONOMIC REVIEW

CANADA

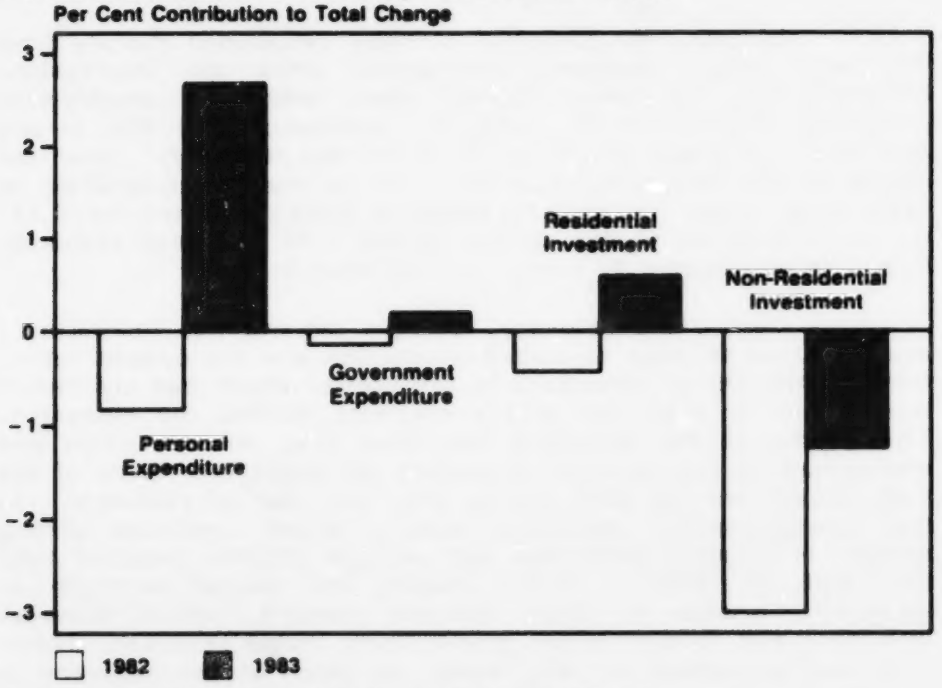
In 1983, the Canadian economy rebounded sharply from the most severe economic contraction since the Depression. Declining inflation, lower interest rates, and better employment prospects contributed to consumer confidence and the strong growth in consumer spending which led the recovery. Over the course of the recession, from mid-1981 to the fourth quarter of 1982, real Gross National Expenditure (GNE) declined by 6.5%. By early 1984, all of this decline in real GNE had been restored. Real GNE averaged 3.0% higher in 1983 than in 1982.

During the recovery, current demand was increasingly accommodated through expanded production and employment rather than by the sharp reductions in inventories which had reinforced the decline in real GNE and employment during the recession. The ending of the inventory reduction drag on production and employment in the economy accounted for about two-thirds of the 6.6% growth in real GNE during the first year of recovery. In the foreign sector, increased imports offset continued strong growth in exports such that net exports slightly reduced total real GNE in 1983. Thus, despite the overall strength of recovery, growth in final domestic demand, which excludes inventory and foreign sector transactions, was a relatively modest 2.3% and accounted for only about one-third of the recovery in real GNE. Final domestic demand declined by 4.0% in 1982 and the improvement in 1983 left final domestic demand at the end of the year 2.9% below its pre-recession peak.

As in previous recoveries since the Second World War, the consumer sector provided the major impetus to recovery in final domestic demand in 1983. Real growth in personal expenditure contributed 2.7 percentage points to growth. Residential spending contributed a further 0.6 percentage points to real growth, and government current and capital expenditure contributed 0.2 percentage points. A continued decline in business non-residential investment reduced growth by about 1.2 percentage points, in real terms, as capacity utilization increased in the business sector and rising profits were used largely to reduce debt obligations rather than for new investment.

Chart 1

Components of Change in Final Domestic Demand, 1982 and 1983



Source: Statistics Canada (CANSIM) and Manitoba Department of Finance

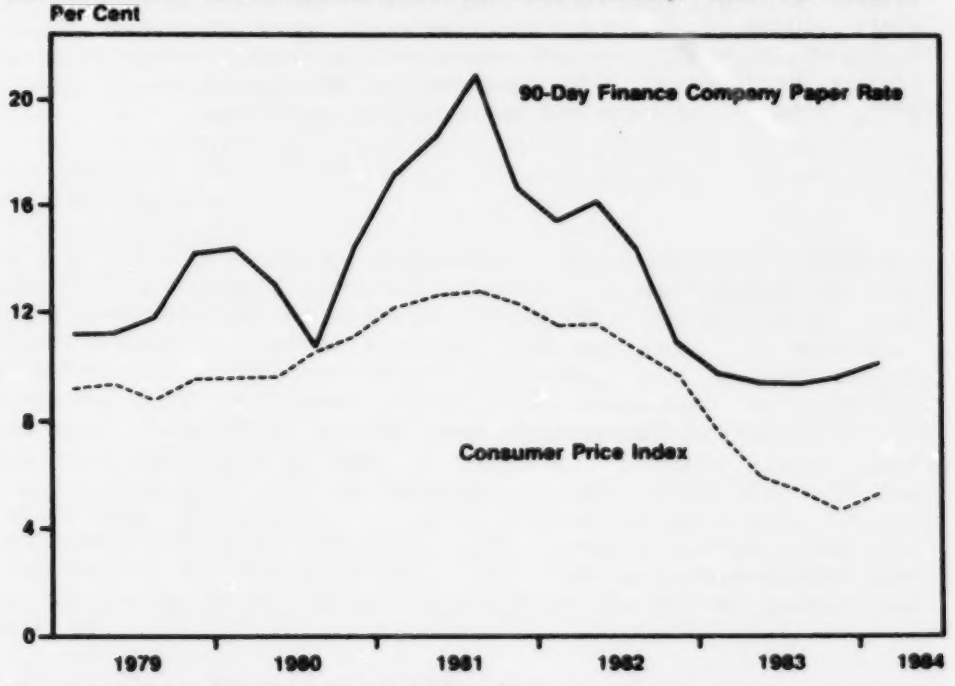
Employment growth in Canada in 1983 proved to be stronger than was anticipated early in the year. Although employment was expected to increase from its low in November, 1982, most forecasters failed to anticipate that the level of employment in 1983 would average 90,000 or 0.8% higher than in 1982. Of the 563,000 jobs lost during the recession, about 70%, or 393,000 jobs were recovered by March, 1984 when employment was estimated at 10,878,000.

The unemployment rate, which stood at 7.2% in mid-1981, rose to a peak of 12.8% in December, 1982 but declined to 11.1% by the end of 1983. By March, 1984, unemployment had edged back up to 11.4% and 1,399,000 Canadians were looking for work, 539,000 more than were unemployed before the recession.

Along with the United States and the United Kingdom, Canada experienced one of the largest decreases in consumer price inflation among the major western industrialized countries as the rate of increase in the Consumer Price Index for Canada declined from 10.8% in 1982 to 5.8% in 1983. Chart 2 plots the movements of the Consumer Price Index and short-term interest rates since 1979. Nominal interest rates have fallen significantly from their peak early in the recession. However, as the inflation rate continued to decline during the first year of recovery, the component of nominal interest rate related to the "real" interest rate and to expected future inflation has risen, and for longer term rates by even more than is illustrated in Chart 2. Both the level and recent increases in interest rates have created concern regarding the strength and durability of the current recovery.

Chart 2

Short-Term Interest and Inflation Rates, 1979 to 1984



Source: Bank of Canada and Statistics Canada (CANSIM)

Economic expansion is continuing in 1984. Real consumer spending, sustained by growth in real personal income, is anticipated to continue to provide the major impetus for growth. Government spending and housing investment are also expected to contribute to growth in 1984. Strength in the United States economy and a lower Canadian exchange rate are expected to result in Canada's exports growing faster than imports, such that net exports are likely to contribute to overall real GNE growth in 1984. On the basis of Statistics Canada's survey of investment intentions, business non-residential investment is forecast to again decline in both nominal and real terms in 1984.

Canada's unemployment rate, which averaged 11.9% in 1983, is expected to average about 11% in 1984, although the extent of improvement depends upon the strength of employment growth. Nonetheless, unemployment is expected to remain very high by historical standards, indicating vastly underutilized labour resources in an economy functioning below its potential. The outlook for inflation, meanwhile, is that it will average between 5% and 6% in 1984. Opinion remains divided over the future course of interest rates, although some observers expect continued moderate upward movement in 1984. The relative stability in rates in 1983 compared to fluctuations in previous years, however, is expected to be largely maintained.

MANITOBA

Growth in Gross Provincial Product is estimated to have accelerated to about 8.0% in 1983 from the 5.6% recorded in 1982, raising the level by over $1.1 billion to $15.1 billion. Real output in Manitoba is estimated to have averaged about 2% higher in 1983 than in 1982, fully restoring recession losses at an earlier date than in most other provinces.

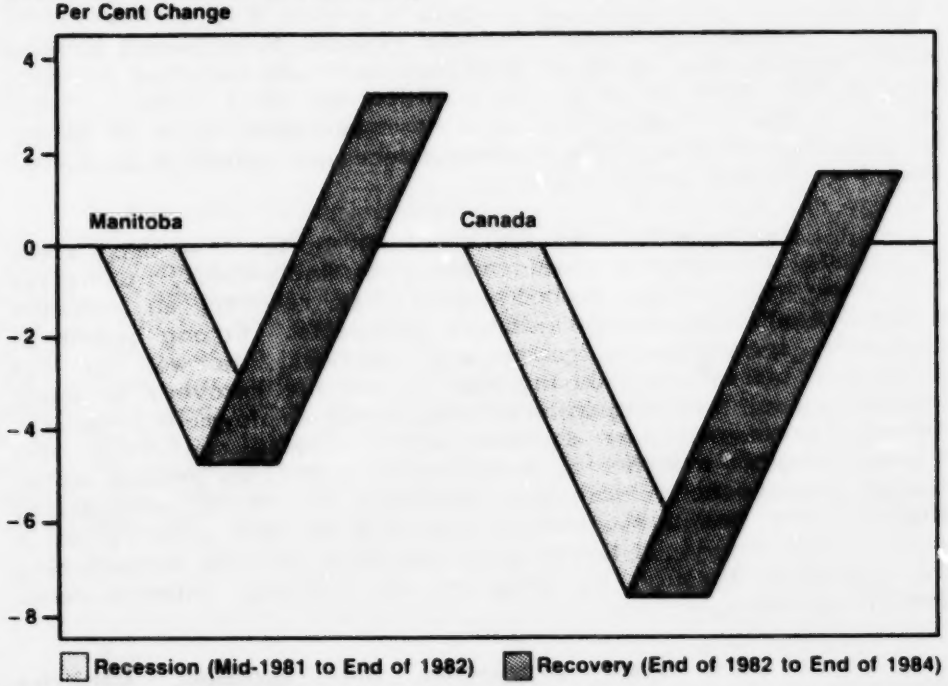
Having weathered the recession better than most areas of Canada, increased economic activity by individuals, businesses and government as the economy moved into recovery all indicated a positive attitude about Manitoba's prospects. Strong growth in consumer spending on goods and services, as well as the three-fold increase in housing starts, led the recovery as lower interest rates, declining inflation and better employment prospects helped revive consumer confidence. Business confidence also showed tangible evidence of improvement in 1983 as private sector capital investment in Manitoba increased by 15.7%, contrasting sharply with the 5.5% decline recorded for the country as a whole. The Provincial Government played a key role in nurturing this recovery through its programs for housing, interest relief and job creation.

In the years preceeding the recession, Manitoba experienced economic performance which, by most standards, was well below the national average. Over the 1977-81 period, real output growth in Canada averaged 2.8% per year. In Manitoba, according to Conference Board estimates, real output growth averaged 1.5% per year, little more than half the national average. Investment growth over this period in Manitoba was less than one-third of that for Canada. Similarly, employment creation averaged 1.9% in Manitoba or well below the 3.3% for Canada over this period. A great number of Manitobans sought employment elsewhere and annual net out-migration averaged over 6,500 during the 1977-81 period. This contrasts dramatically with average annual in-migration of 2,300 over the 1981-83 period (see Chart 5).

Over the course of 1983, significant progress was made in dealing with the most problematic legacy of the recession -- unemployment. In late 1982, there were about 54,000 Manitobans, or 10.8%, of the labour force unemployed. By March, 1984, the unemployment figure was cut to 42,000 and the unemployment rate

Chart 3

Real Gross Domestic Product, Manitoba and Canada, Recession and Recovery



Source: Statistics Canada (CANSIM) and Manitoba Department of Finance

lowered by 2.6 percentage points to 8.2%, the lowest unemployment rate among the provinces.

Manitoba's employment record over the recession-recovery cycle has been the best of any province in Canada. In March, 1984, the level of employment in Manitoba stood 1.3% above its pre-recession peak, the largest improvement of any province and significantly better than the Canadian average which was 1.5% below the pre-recession peak.

Augmenting private initiative in employment creation during the recovery was the $200 million Jobs Fund commitment by the Provincial Government. Contributions from the private sector and other levels of government are estimated to have provided an additional $157 million. On average during its first

year of operation, about 5,400 Manitobans worked on Jobs Fund projects. Latest figures indicate that by mid-March, 1984, the Jobs Fund had been instrumental in providing employment to 21,255 Manitobans in a broad range of public, private and non-profit activities. The Homes in Manitoba Program, an important component of the Jobs Fund, stimulated the construction of about 1,000 new homes.

Other Provincial Government initiatives to ease the most deleterious effects of the recession and provide a firm foothold from which to climb out of the recession, included interest rate assistance to an estimated 1,950 homeowners, 1,200 farmers and 544 businesses. The Government also strengthened its commitment to the continued health and viability of the agricultural community, not only through its interest relief programs, but through its programs for farm loans, financial mediation and livestock stabilization. A major reorganization of Government departments was undertaken in 1983 in order to better achieve the priority objectives of employment growth and economic development.

Labour and capital resources in Manitoba are being utilized at a rate closer to economic capacity than in most other provinces. With one of the lowest unemployment rates among provinces, there is better employment of labour resources than in most other provinces. Although some industries, such as mining and forestry, are operating well below capacity due to weak current demand conditions for their products, this does not appear to be the case for the Manitoba economy as a whole. The intended 7.9% increase in private sector investment spending for 1984 is well above the projected national increase of 1.5%, indicating the strength of renewed business confidence.

For 1984, most forecasters are predicting sustained, more broadly based growth for the Province, with continued expansion in employment and some reduction in unemployment rates. On balance, it appears that growth in real output will be in the order of 4%, or fairly close to the national average. Compared with pre-recession levels of output, employment, and investment, Manitoba is expected to continue to outperform many other parts of the country.

On November 25, 1983, Manitoba became the first province to enter into a new, ten-year Economic and Regional Development Agreement (ERDA) with the Government of Canada. Under this agreement, the provincial and federal governments are committed to coordinating their economic development planning and programming in Manitoba and to undertaking several major initiatives through a series of subsidiary agreements.

The new ERDA is the successor to the ten-year Canada-Manitoba General Development Agreement (GDA) which expired at the end of March, 1984. The main emphasis of the former agreement was on provincial program delivery, with federal cost-sharing support provided through the Department of Regional Economic Expansion. Federal cost-sharing of provincial programming will continue under the new agreement, but the financing arrangements will link the provincial delivery departments directly with their federal counterparts to ensure closer, ongoing coordination. In addition, both orders of government will finance and deliver major program components directly, without cost-sharing, under subsidiary agreements which provide for joint-planning, management and evaluation. The federal government has stated that it regards this new approach as an important step in marshalling the activities of all federal economic ministries in support of regional and provincial development objectives.

On the basis of negotiations to date, it is expected that the combined expenditures of federal and provincial government departments and agencies under the Canada-Manitoba Economic and Regional Development Agreement and subsidiary agreements will exceed $400 million during the first half of the ten-year ERDA period. As of April 16, 1984, five subsidiary agreements had been signed and four more were pending. Following is a summary of the signed subsidiary agreements and the five-year expenditure commitments associated with them:

- Economic Development Planning ($3 million)
- Mineral Development ($24.7 million)
- Forest Renewal ($27.2 million)
- Churchill Development ($93 million)
- Transportation Development ($137.7 million)

Memoranda of understanding have also been signed concerning an Agriculture and Food Development Agreement ($38.3 million) and an Urban Bus Industrial Development Agreement. In addition, commitments have been made to negotiate a Communications and Cultural Enterprises Development Agreement and a Tourism Development Agreement in the near future. Discussions are underway as well, under the Economic Development Planning Agreement, with respect to possible additional joint initiatives in the fields of science and technology, trade, service industries, Crown corporations and water development.

Further information on certain of the new subsidiary agreements is included in the Sectoral Analysis section of the Review.

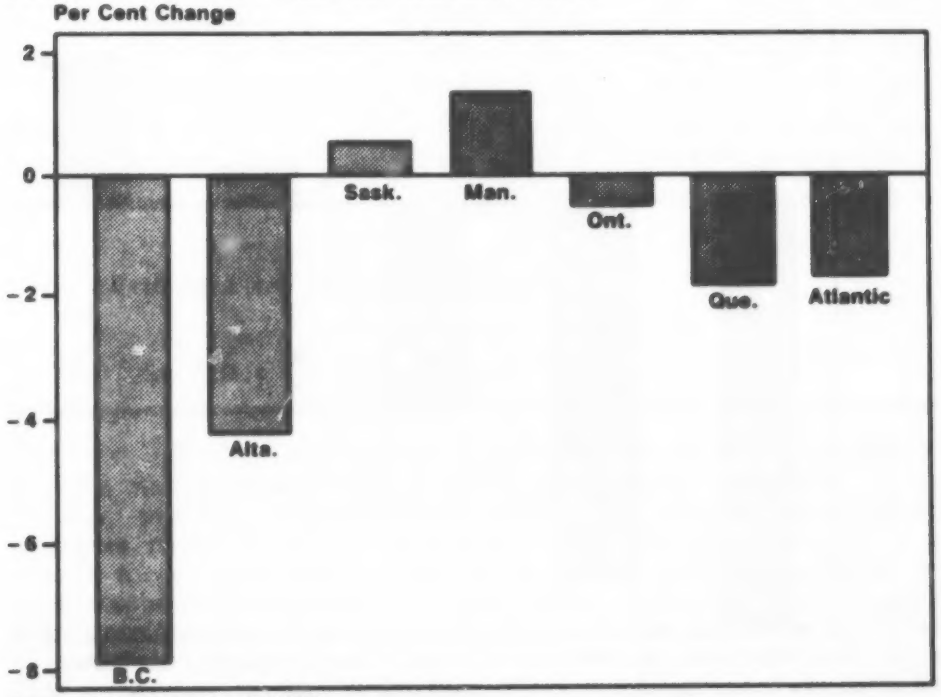
LABOUR MARKET

Employment in Manitoba averaged 460,000 in 1983, an increase of 1.3% from 1982. The improvement was steady throughout the year and by December, 1983, employment was 9,000 higher than in December, 1981, or three times the increase recorded in the previous two-year period. Estimates for March, 1984, indicate that employment in Manitoba was significantly higher than its pre-recession peak while employment in six of the provinces remained below their respective peaks. Chart 4 illustrates Manitoba's better performance relative to other regions in Canada over the recent recession-recovery cycle.

Employment gains during 1983 were realized by most major age-sex groups in the Province. About half of the total increase in employment was among men in the 25-and-over age

Chart 4

Employment by Region,
Pre-Recession Peak to March, 1984



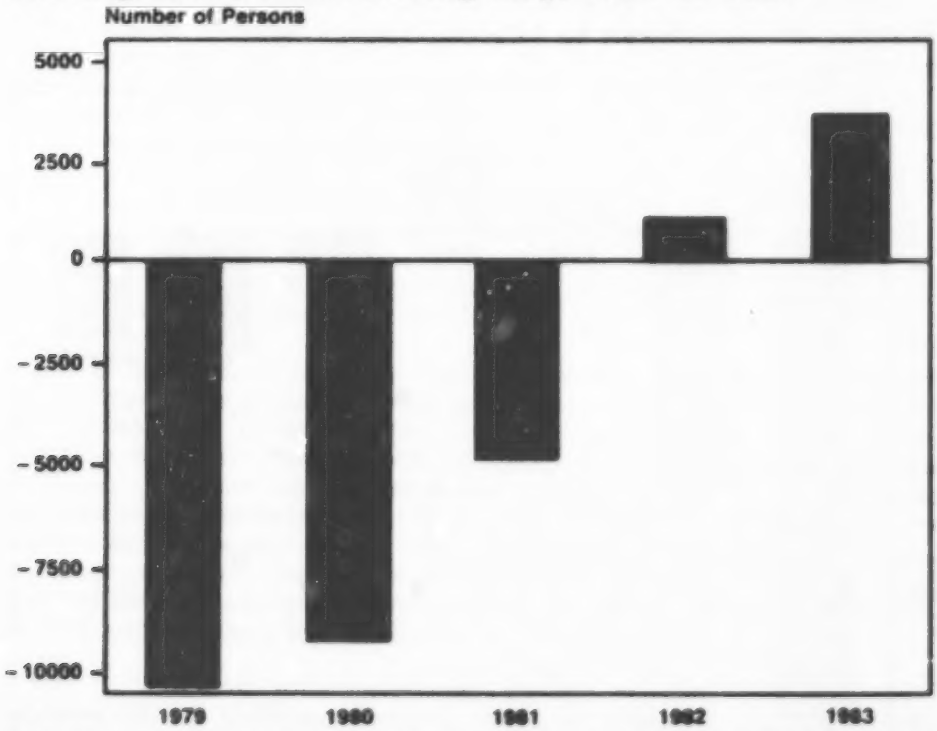
Source: Statistics Canada (CANSIM).

group and about a quarter each was among men in the 15-24 age group and women in the 25-and-over age group. There was a slight overall decline in employment among women in the 15-24 age group. The length of the average workweek also increased in 1983.

Manitoba's labour force increased by 2.4% or 10,000 in 1983 to an average of 508,000. The major factors contributing to this increase were higher labour force participation rates and the reversal of the net migration outflows which had characterized earlier years (see Chart 5). Both factors reflect the better than national average employment and output performance in Manitoba over the recession-recovery period. As of January, 1984, Manitoba's population stood at 1,051,500, an increase of 21,400 since January, 1982, and the largest two-year increase in the Province's population since the early 1960's.

Chart 5

Net Migration, Years Ending May, 1979 to 1983



Source: Statistics Canada, International and Interprovincial Migration in Canada, S.C. 91-208

Although there was a downward trend in unemployment rates throughout 1983, the trend was particularly pronounced in the second half of the year as the rate of job creation continued to be as strong as in the first half of the year but the increase in the participation rate and labour force growth slowed appreciably. Despite the improvement during the course of the year, the unemployment rate averaged 9.4% in 1983 compared to 8.5% in 1982, masking the improvement from 10.8% in November, 1982 to 8.6% in December, 1983. In contrast to the national situation in which unemployment rates edged upwards between December, 1983 and March, 1984, Manitoba's unemployment rate fell from 8.6% to 8.2% in the same period. While unemployment continues to be unacceptably high among all age groups in the labour force, the situation among youth is of particular concern.

Table 1

Labour Market Statistics, Quarterly, 1983 to 1984

	1983				1984
	I	II	III	IV	I
Employment (000)	454	458	463	467	470
Labour Force (000)	504	508	509	512	513
Unemployment (000)	50	50	46	45	43
Participation Rate (%)	65.4	65.7	65.7	65.8	65.7
Unemployment Rate (%)	9.9	9.8	9.0	8.8	8.4

Note: Estimates are seasonally-adjusted.

Source: Statistics Canada (CANSIM).

In 1984, employment growth in Manitoba is expected to average higher than the 1.3% recorded in 1983. However, as in Canada, the pace of job creation during the year is not expected to be as rapid as it was in the earlier stages of recovery. The labour force participation rate is expected to average lower in both Canada and Manitoba in 1984 after the extended period of high unemployment. As a result, labour force growth is expected to increase somewhat more slowly than employment growth, on a year-over-year basis, such that the unemployment rate can be expected to average below 8.5% and remain among the two lowest provincial unemployment rates.

INCOMES

Preliminary estimates for 1983 indicate that personal income in Manitoba increased by 4.9% to $13,010 million and personal disposable income increased by 4.1% to $10,970 million.

Labour income increased by 6.2% to $8,300 million, somewhat greater than the national increase of 5.6%, largely as a result of better employment growth in Manitoba. In contrast to 1982, when increased labour income was concentrated among a declining number of workers, as employment rose in 1983, the increase in labour income in Manitoba was more fairly shared among a greater number of workers.

Government transfers to persons increased by almost 17% in 1983 to $1,950 million. Growth in this component was lower than in 1982, reflecting, to some extent, the easing in the unemployment situation over the course of the year. Non-farm unincorporated business income increased by almost 15% in 1983, to about $670 million, in line with the national increase. Although realized net farm income increased significantly in 1983, total net farm income, which includes an adjustment for the reduction in inventories, declined by about 46% to about $186 million. Lower interest rates and a reduction in the savings rate contributed to a decline in interest, dividend and investment income in Manitoba of about 6% to approximately $1,700 million in 1983. Military pay and allowances and miscellaneous transfers increased by 18% in 1983 to an estimated $210 million.

An acceleration in the growth of personal and personal disposable incomes is expected in Manitoba in 1984. Labour income is expected to grow more rapidly in 1984 than in 1983 primarily as a result of greater employment growth. Average wages are expected to increase at about the same rate as in 1983. Interest, dividend and investment income is also expected to increase at a rate above personal income growth as a result of higher personal savings and continued improvement in corporate profits. Slower growth is expected in non-farm unincorporated business income and government transfers to persons, the latter primarily due to reduced levels of unemployment.

PRICES

In 1983, inflation in Manitoba, as measured by the average change in the Consumer Price Index (CPI) for Winnipeg, decelerated to 6.7% from the 8.8% recorded in 1982. The CPI for Canada in 1983 averaged 5.8% higher than in 1982. By March, 1984, the annual increase in the CPI for Winnipeg had fallen below that for Canada to 3.9% and 4.7%, respectively. Chart 6 below traces the increase in the CPI for Winnipeg and Canada over the past five years.

Food and energy prices have contributed the greatest volatility to inflation in recent years. Energy price increases (which are shown in Chart 8) have led prices in the total consumer basket since about mid-1979, although considerable deceleration was evident in 1982 and 1983.

Chart 6

Consumer Price Index, Winnipeg and Canada, 1979 to 1984

Source: Statistics Canada (CANSIM)

Food price increases, in contrast, have been significantly lower than those for the all-items index since mid-1981, and have provided a moderating influence on overall CPI growth.

After falling below the Canadian inflation rate in the first quarter of 1984, similar month-to-month increases in the CPI for Winnipeg and Canada for the remainder of 1984 would result in lower annual average inflation in Winnipeg than in Canada. As noted above, Canadian inflation is expected to average between 5% and 6% in 1984. Some increase in food prices is expected, primarily as a result of developments in the United States. However, continued modest growth in unit labour costs and excess industrial capacity are likely to moderate any overall impetus for a rise in inflation rates.

INVESTMENT

In Manitoba, capital investment in 1983 rose 10.5% above its 1982 level, to $2.2 billion, whereas a decline of 3.0% was recorded in Canada. The government sector in Manitoba provided a major impetus for this growth both in terms of direct investment and indirect stimulus, especially for residential construction. Housing construction in Manitoba registered a 138.2% increase, the most rapid growth of any sector in the economy and, along with New Brunswick, the strongest growth among the provinces. Within the business sector, significant strength was evident in the commercial services and primary industries sectors, where capital spending advanced by 12.6% and 7.7%, respectively; however, the impact of the recession continued to be reflected in declines in investment in manufacturing, trade and financial services. Capital investment by government departments increased by 9.8%.

According to Statistics Canada's Private and Public Investment Survey, capital investment in Manitoba is expected to increase by 11.8% in 1984 to over $2.4 billion -- the largest increase among the provinces and substantially above the 8.9% increase projected for Canada. The projected increase for 1984 would raise the level of investment in Manitoba to 6.1% or $138.1 million above the 1981 peak. Manitoba's share of total investment in Canada is expected to reach 3.2% in 1984, an improvement from the recession low of 2.5%.

In 1984, increases in the pace of capital formation are expected in virutally all sectors of the Manitoba economy. Particularly encouraging is the expected turnaround in the

Table 2

Capital Investment, 1983 and 1984

	Preliminary Actual 1983		Intentions 1984	
	$ Millions	Annual Per Cent Change	$ Millions	Annual Per Cent Change
Primary Industries	541.6	7.7	580.3	7.1
Manufacturing	107.0	-34.0	143.1	33.7
Transportation	161.4	-13.2	182.9	13.3
Communications	105.8	-14.6	132.6	25.3
Utilities	155.8	-0.3	162.3	4.2
Trade	94.4	-2.9	99.9	5.8
Finance, Insurance and Real Estate	64.8	-23.7	54.9	15.3
Commercial Services	116.0	12.6	126.2	8.8
Institutions	101.2	0.0	138.3	36.7
Government Depts.	282.3	9.8	334.9	18.6
Housing	429.5	138.2	459.0	6.9
Total	2,159.8	18.5	2,414.4	11.8

Note: Primary industries include agriculture, mining, forestry fishing and trapping as well as investment undertaken by the construction industry for its own purposes.

Source: Statistics Canada (CANSIM).

manufacturing sector, which is projected to post a 33.7% increase in capital expenditure, following two years of decline. As shown in Table 2, increases in manufacturing, transportation, communications, institutions and government departments are expected to lead overall investment growth. Following the turnaround in 1983, the two largest sources of investment, primary industries and housing, are each expected to increase by a further 7% in 1984. The only sector which is not projected to contribute to the general improvement in investment is finance, insurance and real estate, where a decline paralleling the national trend is anticipated.

SECTORAL ANALYSIS

The diversified structure of the Manitoba economy and strong growth in certain key industrial sectors provided a basis for Manitoba's better economic performance over the recession-recovery period, relative to most other provinces. Output and employment gains in the service-producing sectors surpassed the national average in 1983. The service-producing sectors account for approximately 72% of total output and employment in the Manitoba economy (see Table 3), compared to about 64% for Canada as a whole. Among the service-producing sectors, output increased most rapidly in transportation, communications and storage; and wholesale and retail trade. Employment growth, meanwhile, was concentrated in commercial services and, to some extent, retail trade.

The performance of the goods-producing sectors of the economy varied widely in 1983. Output in the utilities sector advanced, chiefly as a result of a strong increase in exports of hydro-electricity to the United States. The mining and construction sectors, which had been particularly hard hit during the recession, experienced sharp rebounds in their output levels. Construction employment also increased sharply, especially in the second half of the year. Agricultural output declined in 1983 primarily due to less favourable crop conditions following record production levels in 1982. Recovery in manufacturing output was delayed until the second half of 1983 and, as a result, output for the year averaged lower than in 1982, although employment increased slightly.

Table 3

Employment and Output Shares by Sector, 1983

	Per Cent Share of Total	
	Employment	Real GDP
Agriculture	8.9	5.2
Other Primary	1.3	1.9
Manufacturing	12.8	13.4
Construction	3.9	3.9
Utilities	1.3	3.9
Transportation Communications and Storage	8.9	17.9
Wholesale and Retail Trade	18.0	14.1
Finance, Insurance and Real Estate	5.0	13.9
Community Business and Personal Services	31.7	17.9
Public Administration	8.2	7.9
Total	100.0	100.0

Note: Other Primary includes mining, forestry, fishing and trapping.

Source: Statistics Canada (CANSIM) and the Conference Board of Canada.

Agriculture

Agriculture provides the economic base for most rural communities in southern Manitoba and agriculture-related supply and processing industries generate substantial employment in urban areas as well. Although agriculture directly accounted for 8.9% of employment and 5.2% of total output in 1983 (see Table 3) its significance to the provincial economy is far greater when the sector's linkages to farm supply, equipment, service, transportation, food processing, distribution and marketing are taken into account.

Preliminary estimates indicate that the total value of farm production in 1983 declined to $1,905 million, 5.5% below its

1982 record level. The value of crop production fell 9.0% to $1,305 million in 1983 as lower yields, due to less favourable weather conditions than in 1982, reduced overall production, and lower average prices for many commodities. The value of production of livestock and other products increased 3.3% to $600 million, primarily because of modest gains in cattle, poultry and dairy production values. However, declines in both hog prices and production limited the overall recovery in the production values for the livestock sector.

Sales from farm inventories enabled Manitoba farmers to meet record export demand for grains in 1983 and contributed to an increase in total farm cash receipts, which rose by 4.8% to an estimated $1,800 million. The increase in farm cash receipts, along with the first decline in farm expenses since 1970, resulted in a substantial increase in realized net income. In 1983, realized net income increased for the first time since 1978, advancing 38.7% to an estimated $359 million (see Table 4).

Table 4

Farm Financial Statistics, 1983

	$ Millions	Annual Percent Change
Farm Cash Receipts	1,800.2	4.8
Income in Kind	18.2	2.2
Realized Gross Income	1,818.4	4.8
Operating and Depreciation Charges	1,459.0	-1.4
Realized Net Income	359.4	38.7

Source: Statistics Canada and Manitoba Department of Finance.

Farm operating expenses and depreciation charges declined 1.4% to $1,459 million in 1983, primarily as a result of declines in the following areas: a 9.2% reduction in interest charges to $155 million, a 9.4% decline in fertilizer purchases to $137 million, and a 9.0% decline in feed and other livestock expenses to $133 million. These declines were partially offset by higher expenditure on farm machinery, which rose 4.2% to $295 million, and farm wages, which increased 4.4% to $73.2 million.

Total crop receipts increased by 8.5% in 1983 to $1,124 million. The increase was primarily the result of higher wheat, flaxseed and canola receipts. Cash receipts for wheat, which comprised about half of all crop receipts, rose 11.4% in 1983 to $572 million. Receipts for flaxseed increased 44.0% to $85.4 million while receipts for canola advanced 21.2% to $127 million in 1983.

The increase in crop receipts was partially offset by a 3.9% decline in receipts for livestock and other products to $639 million in 1983. Hog receipts contributed significantly to this decline, falling 10.9% below the 1982 level to $151.5 million in 1983. Hog prices averaged 15% lower in 1983 than in 1982, while the number of hogs marketed was 7.7% higher. Total receipts for cattle and calves fell 3.0% to $282.5 million as both prices and marketings declined. Receipts for sheep, fur, honey and miscellaneous livestock products fell 5.0% to $19.8 million in 1983. On the positive side, increases were reported in receipts for dairy products, which advanced 1.7% to $97.6 million, and for eggs and poultry, which rose 1.8% to $87.6 million.

Other receipts, including payments from provincial income stabilization programs, dairy payments and supplementary payments rose 124.2% and accounted for the remaining $37.2 million in farm cash receipts. Provincial income stabilization payments increased sharply to $16.4 million in 1983 from $1.3 million in 1982. Approximately 73% of Manitoba's beef cattle herds and 53% of all hogs marketed are covered under the two voluntary Programs.

A major objective of Manitoba's Beef and Hog Stabilization Programs is to assist producers during periods of low market prices so that production levels are maintained. Hog producers have traditionally reduced production quickly when low prices occur, as happened in 1983. Early indications are that the hog program is having a positive effect, as Statistics Canada reports Manitoba hog producers intend to farrow 9.4% more hogs in the January-June, 1984 period than during the same period in 1983. In contrast, producers in the United States are indicating an 11% decrease. Although not as dramatic, the number of beef cows on Manitoba farms appears to be stabilizing, whereas declines in the number of cows are greater in other provinces.

Government financial initiatives to assist farmers, including interest rate assistance, lending programs, and financial mediation are referred to in the introduction to the Manitoba section of the Economic Review, above. Along with the delivery of these programs, the Department of Agriculture has increasingly

emphasized farm management assistance and counselling, through its extension services. To an agricultural sector that has faced a number of years of financial difficulty, stabilization of production in the livestock sector, consolidation of financial positions, and greater attention to management skills are contributing to recovery and a stronger agricultural base for the future.

Manitoba farmers intend to increase 1984 seeded area by 141,000 hectares or 3.8% over the 1983 area to 3,876,600 hectares. The increased area will be devoted to barley, flaxseed, and oats. Manitoba farmers also intend to increase use of commercial fertilizers about 2% in 1984. For the other major crops, farmers intend to seed approximately the same area as last year, while reducing summerfallow area by 81,000 hectares.

The outlook for farm income reflects prospects of lower grain prices and stable-to-higher prices for livestock. As a result, overall farm cash receipts are expected to decline marginally from 1983 levels. Some advance in farm expenses is anticipated, reflecting increased costs for feed, fertilizer and machinery. Given these developments, 1984 realized net income is expected to approach the 1982 level.

In the near future, the federal and provincial governments are expected to enter into a new, five-year Agriculture and Food Development Subsidiary Agreement under the Canada-Manitoba Economic and Regional Development Agreement. A Memorandum of Understanding signed in January, 1984, established a joint expenditure commitment of $38.3 million for the new agreement -- approximately double the expenditures under the "Agro-Man" agreement which expired March 31, 1984. Although final details await confirmation, it is expected that the agreement will include program initiatives in the areas of drainage, soil erosion control, and water management to improve soil productivity.

Forestry

Commercial forest lands are an important resource in Manitoba. They extend over 257,000 square kilometres or about 40% of the Province's land area and contain an estimated 460 million cubic metres of merchantable timber.

Initial indications are that the total volume of wood harvested by Manitoba logging operations increased slightly during 1983 from the revised estimate of 1.5 million cubic metres

harvested in 1982. However, as a result of lower prices, the estimated value of logging shipments in 1983 declined marginally from $42.9 million recorded in 1982.

Pulp and paper and sawmill production by Manitoba's larger companies increased during the year. A significant portion of their wood requirements, equal to about 10% of the 1983 harvest, was met by inventory reduction. Roundwood inventories were reduced from 623,700 cubic metres in 1982 to 459,100 cubic metres in 1983.

The economic recovery in the United States increased demand for Canadian forest products resulting in a resumption of production at mills which had been closed during the recession. Prices did not increase appreciably as greater mill capacity came on stream. As a result, the total value of shipments by Manitoba's pulp and paper and lumber industry increased only marginally, from $137 million in 1982.

In 1982, United States lumber producers sought the imposition of countervail duties on Canadian softwood lumber imports because of alleged subsidies. However, a United States Department of Commerce investigation in 1983 found that there was no basis for the petition. The resolution of the issue removed the great uncertainty that had been raised regarding access to the U.S. market.

In November of 1983, the Provincial and federal governments announced their commitment to a major expansion and modernization of the Manitoba Forestry Resources Ltd. (Manfor) complex at The Pas. The upgrading of the company's facilities will help to preserve the jobs of the estimated 1,000 persons historically dependent on Manfor for employment, and also create an estimated 17,000 person days of employment during the construction period. The federal government is providing up to $9-$10 million of the capital cost now estimated to be $48 million. The remaining financing is being contributed by the Provincial Government, $9 million of which is a contribution from the Jobs Fund.

Modernizing Manfor's paper machine is expected to improve the quality of its unbleached Kraft paper, reduce manufacturing costs and increase the plant's productive capacity from approximately 125,000 to 136,000 tonnes per year. Upgrading of the sawmill's equipment is expected to increase the capacity for finished lumber to 77 million board feet from 50 million board feet.

Two major forest renewal agreements were signed during the first quarter of 1984. The first agreement was signed on February 23, 1984 by the Department of Natural Resources and Manfor, under which the company will assume responsibility for forest renewal of the company's harvested timber lands. The program will provide employment for over 200 people and ensure that by 1990 all annual harvested lands will be reforested.

Under the new Economic and Regional Development Agreement the Governments of Canada and Manitoba, on March 15, 1984, signed a five-year Forest Renewal sub-agreement. The governments are committed to spending a total of $27.2 million with the objective of developing and maintaining timber supplies and promoting the most efficient utilization of Manitoba's forest resources. In addition, the Agreement provides for improved technology in the detection of forest fires and the funding of forest research programs.

The Provincial Agreements with Manfor and the federal government will assure improved forest management, helping to sustain and expand Manitoba's forest industry.

Fishing and Trapping

The 1983/84 commercial fish catch is expected to be below the previous year's level of 35 million pounds, resulting in a $2 million decline in initial payments for Manitoba's 2,500 commercial fishermen, to $12 million. Final payments, however, are expected to add significantly to this amount.

Final sales of Manitoba fish sold through the Freshwater Fish Marketing Corporation for the year ending April 30, 1984 are projected to reach approximately $21 million. A high proportion of Manitoba fish are sold in the United States where stronger demand conditions resulted in price increases. The United States accounted for 65% of fish sales whereas European specialty markets accounted for 20%, with the remainder sold domestically.

In addition to commercial fishing activity, Manitoba's fishery resources enjoy a quality reputation among recreational and sport fishermen. In 1980, an estimated 280,000 anglers fished 4.1 million days and caught 14 million fish. In the process, they spent over $105 million, of which about $45 million represent value added or income generated in Manitoba. Sales of sport fishing licences generate $1.4 million annually.

Manitoba's commercial sport fishing industry involves 106 lodges, 85 outcamps and over 160 boat caches. In the 1980, the industry has annually realized approximately 285,000 guest days, generated gross revenues of more than $11 million and employed over 800 people.

Manitoba's 850 licenced guides offer service to hunters and fishermen. Their earnings are estimated to be $2 million per year.

Fur production by Manitoba's 15,000 trappers is estimated at $3.5 million for the year ending the spring of 1984. The reduction from previous years is attributed to poor climate factors and lower prices for short haired furs due to fashion changes. As well, anti-trapping groups have directed their efforts at the market-place, softening demand for furs.

Trapping remains an important industry and a reduction in this activity would be harmful in areas where there is little alternative employment.

Mineral Resources

In 1983, following two years of decline, the value of mineral production in Manitoba increased by 19.8% to an estimated $659 million. Production volumes of nickel rose by 4.6%, copper by 29.3% and zinc by 46.8%. Higher average prices for most metals, with the exception of nickel, combined with increased output to provide for a 17.3% increase in the value of metal production to $414 million. Industrial materials recorded a 4.7% decline in the value of production to $92 million as weakness in non-residential construction demand offset the increase in demand from the housing sector. Both unit prices and production of such items as cement and sand and gravel were lower in 1983 than in 1982.

Petroleum production recorded its second consecutive increase in volume and value in 1983. An estimated 27.0% increase in production, in tandem with a further 20.0% increase in average wellhead prices, raised the value of petroleum production in Manitoba to an all-time high of $153 million, 52.2% more than in 1982. Drilling activity also increased substantially both in terms of number of new wells and total metreage drilled. Of the 247 new wells drilled in 1983, 223 were completed as potential oil wells, indicating a 90% success rate. The high success rate and higher oil prices in recent years have encouraged the rapid expansion of drilling activity in Manitoba.

Table 5

Mineral Production, 1983

	$ Millions	Annual Per Cent Change	Per Cent Share of Total
Nickel	171.2	-0.3	100.0
Copper	132.0	38.6	20.0
Zinc	53.1	57.4	8.0
Gold	37.9	46.6	5.7
Other Metals	20.1	-24.5	3.1
Industrial Minerals	92.1	-4.7	14.0
Petroleum	153.0	52.2	23.2
Total	**659.4**	**19.8**	**100.0**

Source: Manitoba Department of Energy and Mines.

In 1984, current prospects favour further improvement in the mining sector. If Inco maintains its announced work schedule, nickel production could increase in 1984. In addition, Inco is proceeding with its new open-pit development at Thompson which is scheduled to come on-stream in 1986. Substantial increases are also anticipated in oil production as the new wells brought on-stream in 1983 will be in operation for their first full year. Drilling activity is currently expected to continue at close to 1983 levels.

With a view to creating a more efficient and competitive mining industry in Manitoba, the Government has successfully negotiated a five-year, $24.7 million Canada-Manitoba Agreement on Mineral Development designed to stimulate exploration, mining and mineral processing. Geoscientific programs under this Agreement will focus primarily on the northern mining communities of Lynn Lake, Leaf Rapids, Flin Flon, Snow Lake and Thompson, as well as the south-eastern Manitoba region, whose long-term prospects depend upon a buoyant mining industry.

Manufacturing

In 1982, the value of manufacturing shipments in Manitoba declined at a rate less than the national average. In 1983, Manitoba's total value of shipments was estimated at $8.8 billion, although just 0.2% lower than in 1982, it was well below the 8.8% growth recorded in Canada as a whole. Just as the downturn in manufacturing came later in Manitoba than in Canada, so has the recovery. Employment in manufacturing, which accounts for roughly half of total employment in the goods sector in Manitoba, averaged 59,000 in 1983, or 1.7% higher than in 1982. In Canada, employment in manufacturing averaged 2.3% lower. Employment in manufacturing accounts for 12.8% of total employment in the Province.

Performance varied considerably among the major manufacturing industries in the Province in 1983. The value of manufacturing shipments increased by about 25% in the case of non-metallic minerals industries, and 18% in the case of wood, furniture and fixtures industries. The three-fold increase in housing starts contributed to the improvement in these industries. Strong growth has also been evident in printing, publishing and allied industries, as well as chemical and chemical products industries, with increases in the value of shipments of 9% and 11%, respectively. Food and beverage shipments, which account for nearly one-third of the total value of shipments in the Province, increased by 3% from the 1982 level. Most other major manufacturing industries experienced some improvement in the latter half of 1983. The value of shipments for several industries including clothing and textiles, paper and allied products, primary metals, and metal fabricating, began to improve around mid-year while others such as machinery and transportation equipment began to strengthen in the fourth quarter of 1983.

According to Statistics Canada's survey of capital spending intentions, investment in Manitoba's manufacturing sector is expected to turnaround in 1984 with growth of 33.7%, significantly better than the 2.5% decline projected for the country as a whole. A particularly sharp improvement is projected for the food and beverage industry, with intended investment 72.5% above its 1983 level, and growth in the rest of the manufacturing sector is also expected to be substantial and widespread. The relative strength of the Manitoba economy during the recession-recovery period, as well as the recognition of the comparative land and operating cost advantages the Province possesses, appear to be at the root of this resurgence in investment. High-technology industrial firms should continue to be attracted to the Province given these significant cost

Table 6

Value of Manufacturing Shipments, 1983

	$ Millions	Per Cent Share of Total
Food and Beverages	1,567.8	32.4
Clothing and Textiles	328.0	6.8
Wood, Furniture and Fixtures	263.0	5.5
Paper and Allied Products	296.9	6.1
Printing and Publishing	270.2	5.6
Primary Metal	168.3	3.5
Fabricated Metal Products	315.3	6.5
Machinery	355.0	7.3
Transportation Equipment	339.5	7.0
Electrical and Electronic Products	191.9	4.0
Non-Metallic Mineral Products	132.3	2.7
Chemical and Chemical Products	146.0	3.0
Other	463.2	9.6
Total	**4,837.4**	**100.0**

Source: Statistics Canada (CANSIM).

advantages, a skilled labour force, and the National Research Council's new $43 million Institute for Manufacturing Science and Production Technology, currently under construction in Winnipeg.

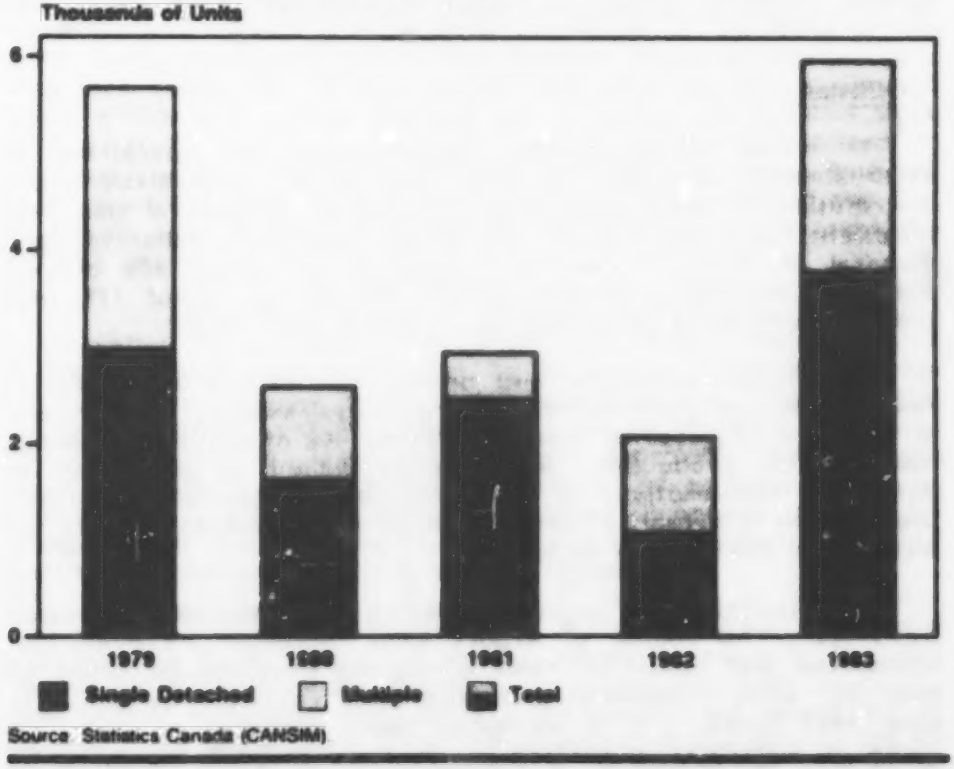
The current outlook for 1984 is for Manitoba's manufacturing shipments to increase roughly on par with that of the rest of Canada. Forecasts for Canada and the United States suggest that there will be increased demand in 1984 in a number of industries in which Manitoba has traditionally had a high export to total shipments ratio. Among these industries are those producing apparel, farm machinery, transportation equipment (especially trucks and buses), and electrical products. With almost all industries having passed their respective recession troughs in 1983, the sector as a whole appears to be in a good position to take advantage of these improved market conditions. Industry selling prices should rise in 1984, averaging about 5% higher than in 1983.

Housing

Residential construction activity rose to a five-year high in 1983 as 5,985 housing starts were recorded, almost triple the number in 1982. Relative to 1982, single-detached units comprised a larger share of total starts in 1983, about 63% in 1983 compared to 54% in 1982. In addition, there were more apartments started in 1983 than in the three previous years combined. A number of important factors, such as provincial and federal housing programs, lower interest rates, low levels of available housing and a reversal of the out-migration trend experienced in the second half of the 1970's, all combined to generate this increase in residential construction.

Chart 7

Housing Starts, 1979 to 1983



Source: Statistics Canada (CANSIM)

The Provincial Government's Homes in Manitoba Program made a marked contribution to the three-fold increase in housing starts in 1983. Provision of mortgages for fixed terms at reasonable rates, as well as supplementary grants to moderate income Manitobans, removed a major obstacle for many people, allowing them to proceed with the purchase of a home. As noted above, some 1,000 housing starts were assisted under the Homes in Manitoba Program. In addition, it is estimated that 1,950 homeowners received assistance under the Government's interest rate relief programs. The extension of Affordable New Homes Program announced in January, 1984 helped sustain the pace of house building activity in the Province in early 1984.

Most analysts expect at least 5,000 housing starts in 1984 with the possibility that starts could exceed the 1983 level. Provincial and federal government programs, along with the tight housing market in Manitoba, are expected to continue to provide a strong stimulus for building activity in 1984, although the persistence of high interest rates remains a major impediment in turning potential demand into actual demand for new housing.

Utilities

The utilities sector encompasses the operations of establishments engaged in the generation, transmission and distribution of electricity; the distribution of natural gas; the treatment and distribution of water; and the collection and disposal of waste. Electricity accounts for about 80% of real output in Manitoba's utilities sector, natural gas about 12%, and the remaining 8% is accounted for by water and waste.

Hydro-electricity and natural gas satisfy 21% and 31%, respectively, of the Province's energy requirements. Oil, chiefly in the form of gasoline, meets a further 46% of Manitoba's energy needs. Oil production, which is equivalent to about 20% of Manitoba's consumption, is discussed under Mineral Resources. Distribution is primarily through retail outlets and as such is not included in the utilities sector.

In 1983, the output of electricity in Manitoba increased by 5.9%. The volume of export sales increased by over 10%. Commercial and industrial sales within the Province increased by over 3%, while residential and farm sales advanced by about 1% over 1982 levels. It is estimated that, compared to 1982, the value of electricity generated in Manitoba in 1983 increased by over 7%, to approximately $470 million. Manitoba Hydro's total physical assets valued at cost, as of February 29, 1984 were more than $3 billion.

The Government is continuing to hold discussions with groups of electric utilities in the United States regarding long-term electric power sales.

The sales volume of natural gas declined in 1983 by almost 6%, as a result of unseasonably mild weather conditions in early 1983, which reduced demand for natural gas for heating purposes by commercial and residential users.

Output in the water distribution and treatment and waste collection and disposal industries, in general, is influenced by demographic trends and economic activity in the industrial and commercial sectors. Household consumption of water, particularly for outdoor use, however, is greatly influenced by the amount and timing of summer precipitation. In 1983, relatively low rainfall during the summer months resulted in a 5.1% increase in the total volume of water utilized in the City of Winnipeg.

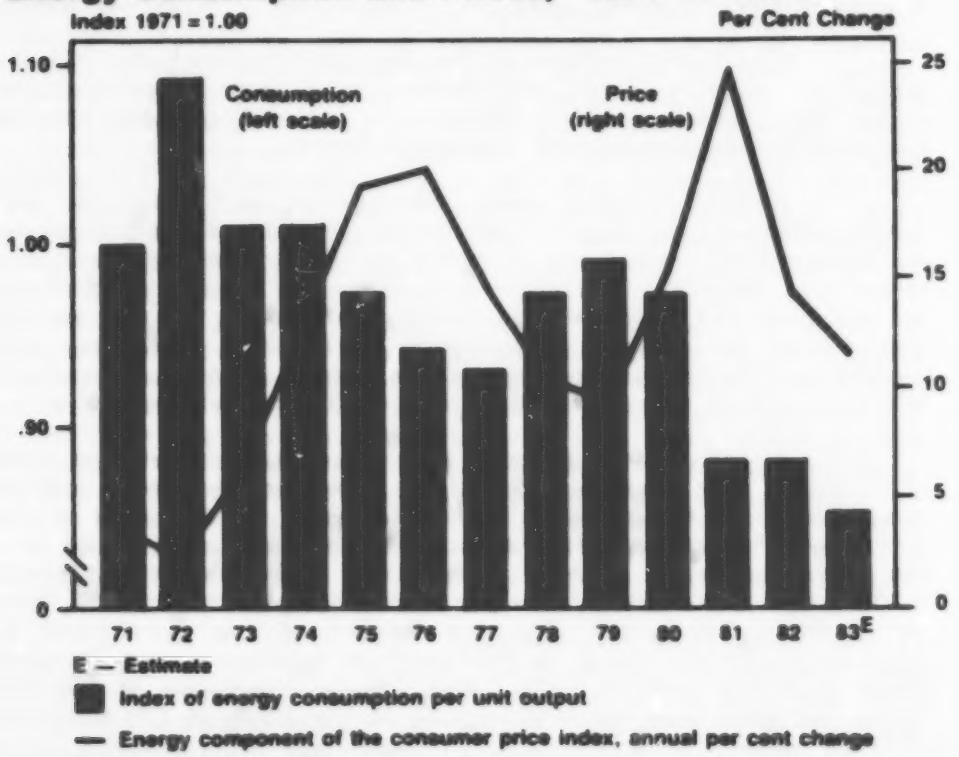
Growth in the utilities sector must be evaluated in light of public and private initiatives directed towards energy conservation. Rapid energy price increases, in the wake of the OPEC price shocks of 1973/74 and 1979/80, have contributed to a long-term decline in energy consumption, as is evident in Chart 8 below which plots energy use per unit of output in Manitoba since 1971. It is estimated that the amount of energy utilized to produce a unit of output in 1983 was, on average, more than 20% lower than the peak in 1972. The energy component of the CPI increased more than twice as rapidly as the all-items CPI over the 1973-83 period.

The major Provincial Government initiative in energy conservation is currently the CHEC (Cut Home Energy Costs) Program, which was introduced in September, 1983 to provide insulation and energy conservation advice and to replace HILP (Home Insulation Loan Program) which began in 1977. To date, more than 36,000 loans have been approved under these programs, worth $27.5 million. Federal government programs include CHIP (Canadian Home Insulation Program) and COSP (Canadian Oil Substitution Program) which have provided grants worth $33.3 million and $14.4 million, respectively.

For most classifications of customers, Manitoba Hydro continues to have among the lowest electricity rates in Canada. For example, a Winnipeg resident consuming 750 kWh in April, 1984, would have paid only $28.97, the lowest rate among the 12 largest cities in Canada. This rate compares favourably to $30.69 in Montreal, $36.01 in Toronto, $38.15 in Vancouver, $38.77 in Calgary and $51.05 in Halifax.

Chart 8

Energy Consumption and Prices, 1971 to 1983



Source: Statistics Canada (CANSIM) and Manitoba Department of Finance

Prospects for 1984 in the utilities sector suggest real growth at a rate slightly below the economy-wide average. As in previous years, weather conditions will play a key role in determining the level of home consumption of hydro electricity, natural gas and water, while commercial and industrial usage will tend to reflect growth in the business sector.

Transportation and Communications

The North American economic recovery stimulated the movement of goods providing renewed growth in Manitoba's transportation sector in 1983. Greater activity was achieved primarily on the transportation side of the sector, through the increased movement of commodities such as grain and minerals. Shipping activity at the Port of Churchill increased 10.1% as 23 freighters loaded 630,733 metric tonnes of grain for overseas

destinations. As in Canada, passenger volume at the Winnipeg International Airport was 2% to 3% lower in 1983 than in 1982. However, air travel increased in the fourth quarter of 1983, and the outlook for 1984 is for further growth.

A total of $488 million was invested in capital and repair expenditures in the transportation sector in 1983, an increase of 2.7% from 1982. Among the major investment projects underway in 1983 were the Air Canada building in Winnipeg scheduled for completion in early 1985, upgrading at the Brandon Airport and the new Canadian Pacific diesel repair shop.

The Provincial and federal governments have indicated their commitment to maintaining and strengthening Manitoba's transportation sector through three subsidiary agreements under the new Economic and Regional Development Agreement. The new agreements are expected to involve a total commitment by federal and Provincial Government Departments and agencies of more than $275 million. The first sub-agreement, signed April 13, 1983, is aimed at ensuring the long-term viability of the Port of Churchill. Modernization of elevators and the port facility as well as improvements to the rail infrastructure, including boxcar renovation and light hopper car development, are expected to get underway in the near future. The Province will also construct a new, $35.6 million hydro line to the Port as part of its contribution to the $93 million agreement. The second sub-agreement, also signed April 13, 1984, commits $137.7 million to general transportation initiatives and related industrial development opportunities in other areas of Manitoba. It will include substantial federal airport construction and upgrading activity as well as the establishment of a transportation research institute at the University of Manitoba. The third agreement, expected to be signed shortly, deals with urban bus industrial development, focusing on Manitoba's technological expertise in the manufacturing of advanced urban buses.

The communications sector includes services to Manitobans through a vast network of radio, television, telecommunications, and postal services. Over 60 AM and FM stations operate in Manitoba with approximately 25 stations originating programs. Canadian television programming is provided by three broadcast companies through about 60 stations, six of which have programming capabilities. There are 39 cable television systems licensed for operation in Manitoba, with more than 220,000 subscribers.

The Manitoba Telephone System (MTS) provides telephone and related telecommunications services, including a broad range of computer services and satellite communication in remote areas.

MTS has been particularly active in the videotex medium comprising technologies that allow transmission onto a video screen of information in forms such as print, color graphics and maps. A joint venture between MTS and an electronic publishing firm led to an innovative application of videotex in a comprehensive information service designed to serve the agribusiness community. The service, known as Grassroots, has over 1,800 subscribers and is currently in the process of being extended to other provinces and the United States. In 1983, MTS employed about 4,500 people, just over 40% of total employment in the communications sector. MTS' total physical assets valued at cost, as of December 31, 1983, were more than $1 billion.

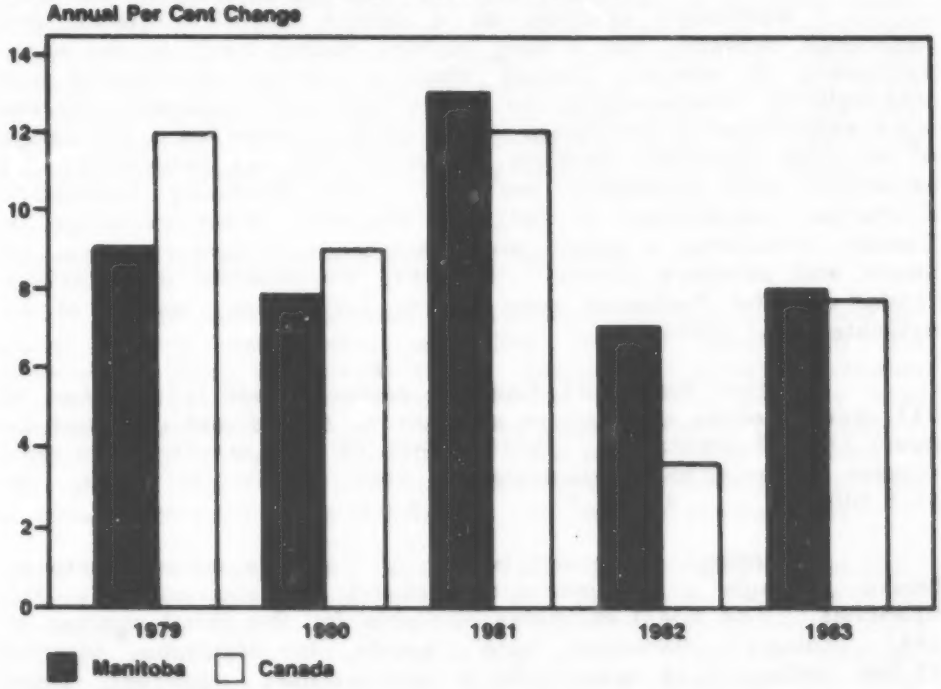
In the near future, the federal and provincial governments will be entering into a new Communications and Cultural Enterprises subsidiary agreement under the Canada-Manitoba Economic and Regional Development Agreement. Program initiatives under the new agreement, including infrastructure developments, are to be announced when the agreement is signed.

Trade

In 1983, retail sales in Manitoba grew at a rate in excess of the national average for the third consecutive year. It is estimated that retail sales exceeded the $4.1 billion mark, 7.9% greater than in 1982. The increase for Canada as a whole was 7.7%. As in 1982, retail sales in Winnipeg in 1983 provided the focal point for growth, with sales averaging 9.0% greater than in 1982, while growth in the rest of the Province averaged 6.0%. Among the major types of retail establishments, those providing services to maintain automobiles, such as service stations, garages and automobile parts dealers, recorded the largest increase in sales in 1983, 19.4%. Sales by motor vehicle dealers and furniture and appliance stores increased by 11.4% and 12.4%, respectively. The growth in these areas in 1983 can largely be attributed to improved consumer confidence brought about by greater security of employment, lower inflation and interest rates. The rise in automobile-related expenditure, for the most part, represents a release of pent-up demand for both major repairs and new auto purchases foregone during the recession. The increase in furniture and appliance store sales also included an element of satisfying pent-up demand in addition to the meeting of new requirements resulting from the sharp increase in housing starts in 1983.

Chart 9

Value of Retail Trade, Manitoba and Canada, 1979 to 1983



Source: Statistics Canada (CANSIM).

Manitoba's wholesale trade sector constitutes a relatively larger share of the total trade sector than the national average, reflecting Winnipeg's traditional role as a service centre for western Canada. Preliminary estimates for 1983 indicate that the value of wholesale trade increased by 12.0% in Manitoba, compared to 11.7% in Canada. In 1982, Manitoba had experienced a 2.9% decline, compared to the 6.1% decline at the national level. Employment in wholesaling activity, meanwhile, averaged slightly lower in both Manitoba and Canada in 1983.

In 1984, the wholesale and retail trade sectors in both Manitoba and Canada are expected to grow at or above their respective economy-wide averages. Forecasts of stronger growth in personal disposable income compared to 1983, and some pick-up

in tourist trade, should contribute to an overall increase in sales and employment in the sector.

Finance, Insurance and Real Estate

Manitoba's position as a centre for the finance and insurance industry has a long history dating back to the early settlement of western Canada when a number of national and international headquarters for investment and insurance houses were established in Winnipeg. The industry provides a full range of services including banking, property and life insurance, and securities and commodity markets. The Winnipeg Commodity Exchange, established in 1887, is the only grain exchange in Canada, providing a major centre for trade in cereal grains, oil seeds and precious metals. In 1983, the number of contracts traded on the Exchange rose 31% to 1.9 million, valued at an estimated $9.1 billion.

Within Manitoba's financial sector, there is a system of 132 credit unions and caisses populaires, owned and operated by over 317,000 members. Total assets of the credit union and caisses populaires organizations rose 10.8% in 1983, to $1.5 billion.

Manitoba is served by all of Canada's major chartered banks through a province-wide network of approximately 350 branches. The latest estimates available for the third quarter of 1983 indicate chartered bank assets in Manitoba totalled $7,739 million, 3.1% lower than a year earlier. However, since the first quarter of 1983, chartered bank assets in Manitoba have expanded. The main contributions to this expansion were personal loans, which increased 10.1% to $634 million, and residential and non-residential mortgages, which increased 5.3% to $1,396 million. Growth in these assets was partially offset by declining business loans which fell 5.7% to $1,793 million between the first and third quarters of 1983. In comparison, the total assets of Canadian chartered banks in the third quarter of 1983, at $368,577 million, were 0.2% higher than a year earlier. In Canada, business loans also declined, by 7.6% between the first and third quarters of 1983.

Liabilities of chartered banks in Manitoba totalled $8,347 million in the third quarter of 1983, 0.1% higher than in the third quarter of 1982. Personal savings deposits made up $5,257 million of this total, an increase of 4.5% since the third quarter of 1982.

It is estimated that $275.2 billion in cheques passed through Manitoba's two clearing houses in 1983, up 20.3% from 1982. This increase in activity exceeds the 18.2% rise estimated for Canada.

Along with the increase in the number of housing starts in Manitoba in 1983, the housing resale market also exhibited generally higher activity. For example, the number of units sold through the Winnipeg Real Estate Board rose 16.5% and the price per unit averaged $56,753, up 11.0% from 1982. In the new housing market, Winnipeg prices increased 4.2% in 1983. In contrast, new home prices in Canada declined 1.6% last year.

Community, Business and Personal Services

Community, business and personal services accounted for about 44% of employment and 25% of real output in the service-producing sectors in 1983. Employment growth estimates for community, business and personal services suggest that Manitoba's performance in 1983 was again above the national average. This sector provides a diverse array of services to individuals, businesses and the community in general, which can be broadly divided along commercial and non-commercial lines.

Non-commercial services are those which generally receive substantial public funding and are comprised chiefly of education and health services. Non-commercial services account for approximately 47% the jobs in the sector. Following growth, which was about 50% above the national average in 1982, employment in non-commercial services grew at a rate somewhat below the national average in 1983.

Commercial services were responsible for almost all of the employment and output growth among the service-producing sectors in 1983. Services to business, which account for about 11% of total employment in the sector, recorded a small increase in employment. Services provided to individuals, which account for the remaining 42% of employment, recorded a rise in employment of 5,000 to 62,000. This increase was concentrated among those industries most directly related to tourism -- food, accommodation, amusement and recreation services.

Tourism

It is estimated that in 1983 the number of non-resident visitors to Manitoba declined by about 10.0% to 2.4 million. The

smallest percentage decline was among American visitors, down 9.3% to 734,800, and the largest was among overseas visitors, down 24.9% to 37,800. The strength of the United States recovery in 1983, in contrast with the slow improvement in western Europe, as well as the strength of the United States dollar, provided the basis for a smaller percentage decline in the number of American visitors to Manitoba relative to overseas visitors. The number of Canadians from other provinces visiting Manitoba declined by 10.1% to approximately 1.6 million, as the total number of Canadians visiting other Canadian provinces declined.

It is estimated that total receipts attributable to tourism in 1983 were about $592 million, up 1.3% from 1982. Of this total, spending by Manitobans was up 4.9% to $367 million. Spending by other Canadians was down 3.6% to $146 million; by American visitors was down 2.8% to $68 million; and by overseas visitors down 14.5% to $12 million.

Manitoba's hotels, motels, lodges and resorts had an estimated 1.0% increase in room sales to 2.5 million rooms in 1983 -- a 3.3% increase in Winnipeg and a 1.7% decline in the rest of the Province. Restaurant receipts in 1983 surpassed their 1982 total by an estimated 6.5%, rising to approximately $333 million. Convention activity in Manitoba increased moderately in 1983, as the number of convention delegates increased by 1.2% to 71,356. As noted in the transportation section, passenger volumes at Winnipeg International Airport were down by about 2% in 1983, although a significant improvement was noted by the fourth quarter.

The outlook for 1984 is for moderate increases in the number of tourists and receipts from tourist activities. Forecasts of personal income growth, lower unemployment, a slightly lower exchange rate, increased air passenger travel and confirmed convention bookings all appear to support an improvement in 1984.

The Governments of Canada and Manitoba have agreed to extend the Destination Manitoba Tourism Development Agreement for the 1984/85 fiscal year. During the year, a number of new tourist attractions and accommodations, assisted under the Agreement, are expected to come on-stream. The two governments have also indicated their intention to conclude a new Tourism Development Agreement under the Economic and Regional Development Agreement for implementation beginning in 1985/86.

SUMMARY

Manitoba's economic performance over the recession-recovery period has been relatively better than most other provinces and well above the national average. Manitoba was one of the first provinces to restore employment and output levels to their pre-recession peaks. This performance is encouraging, given that Manitoba was consistently below the national average with respect to virtually all major economic indicators for a number of years preceeding the recession.

The diversified nature of the Manitoba economy, along with above national average performance in the mining, construction, trade and community, business and personal services sectors and the active support by the Provincial Government contributed to this better performance. Provincial fiscal policy over this period provided substantial support in the areas of employment creation, interest rate relief for individuals, farmers and small businesses, and stimulus to the housing sector. In addition, investment in social infrastructure and community developments raised activity in the construction sector and set the stage for private sector growth.

In 1984, the current recovery in Manitoba is expected to be sustained, and with improvements in a number of goods-producing sectors, real output growth will be more broadly based than in 1983. The growth in capital investment in 1983 and 1984 can be expected to raise the productive capacity of the Manitoba economy. In 1984, and for many years into the future, the private and social investment currently being undertaken can be expected to pay substantial dividends in terms of higher levels of output, incomes and employment within the Province. In 1984, most forecasters predict real output growth to be in the 4% range, or fairly close to the national average. Employment levels are expected to average higher in 1984 than in 1983, while unemployment rates are expected to average lower. In the second year of recovery, Manitoba's economic performance, relative to pre-recession employment and output peaks, is expected to continue to compare favourably with most other provinces.

Supplementary Table 1

Sectoral Economic Indicators, 1979 to 1983

	1979	1980	1981	1982	1983
Gross Provincial Product					
($ millions)	10,360.0	11,210.0	13,240.0	13,980.0	15,100.0
(% change)	10.6	8.2	18.1	5.6	8.0
Agricultural Production					
($ millions)	1,580.0	1,669.0	1,991.0	2,015.1	1,905.3
(% change)	19.5	11.5	14.1	1.1	-5.4
Mineral Production					
($ millions)	652.7	820.6	657.9	550.3	659.4
(% change)	39.5	25.7	-19.8	-16.4	19.8
Manufacturing Shipments					
($ millions)	3,920.9	4,372.2	4,990.8	4,847.4	4,837.4
(% change)	19.5	11.5	14.1	-2.9	-0.2
Housing Starts					
(units)	5,772.0	2,597.0	2,824.0	2,030.0	5,985.0
(% change)	-52.4	-55.0	8.7	-28.1	194.8
Electric Power Generation					
($ millions)	403.0	401.0	392.0	440.0	470.0
(% change)	21.8	-0.5	-2.2	12.2	6.8
Retail Trade					
($ millions)	2,935.9	3,163.9	3,578.4	3,830.0	4,133.4
(% change)	9.2	7.8	13.1	7.0	7.9
Gross Tourism Expenditure					
($ millions)	450.6	515.7	587.1	584.5	592.1
(% change)	11.5	14.4	13.8	-0.4	1.3

Source: Statistics Canada (CANSIM) and Manitoba Department of Finance.

Supplementary Table 2

Incomes and Inflation, 1979 to 1983

	1979	1980	1981	1982	1983
Personal Income					
($ millions)	8,450.0	9,240.0	11,285.0	12,407.0	13,010.0
(% change)	9.0	9.3	22.1	9.9	4.9
Disposable Income					
($ millions)	7,260.0	7,876.0	9,595.0	10,541.0	10,970.0
(% change)	9.1	8.5	21.8	9.9	4.1
Labour Income					
($ millions)	5,562.0	6,180.0	6,991.0	7,816.0	8,302.0
(% change)	10.4	11.1	13.1	11.8	6.2
Farm Cash Receipts					
($ millions)	1,308.4	1,463.6	1,665.2	1,717.4	1,800.2
(% change)	15.6	11.9	13.8	3.1	4.8
Consumer Price Index					
Winnipeg (1981=100)	81.8	90.0	100.0	108.8	116.1
(% change)	9.1	10.0	11.1	8.8	6.7

Source: Statistics Canada and Manitoba Department of Finance.

Supplementary Table 3

Labour Market Statistics, Year End, 1979 to 1983

	1979	1980	1981	1982	1983
Employment (000)	457	464	460	449	469
Labour Force (000)	480	488	492	503	513
Unemployment (000)	23	24	32	54	44
Participation Rate (%)	64.2	64.9	64.8	65.4	65.9
Unemployment Rate (%)	4.8	4.9	6.5	10.7	8.6

Source: Statistics Canada (CANSIM).

Supplementary Table 4

Population, 1970 to 1983

	Population	Growth or Decline
1970	983,000	4,000
1971	988,200	5,200
1972	991,200	3,000
1973	996,200	5,000
1974	1,007,500	11,300
1975	1,013,600	6,100
1976	1,021,500	7,900
1977	1,027,400	5,900
1978	1,032,000	4,600
1979	1,028,000	-4,000
1980	1,024,900	-3,100
1981	1,026,200	1,300
1982	1,034,500	8,300
1983	1,047,200	12,700

Note: Estimates are for June 1.

Source: Statistics Canada (CANSIM).

Appendix C:

TAXATION ADJUSTMENTS

Appendix C
TAXATION ADJUSTMENTS
Table of Contents

	Page
LEVY FOR HEALTH AND POST-SECONDARY EDUCATION	C 1
INCOME TAX	C 2
RETAIL SALES TAX	C 4
FUEL TAXES	C 5
TOBACCO TAX	C 5
CORPORATION CAPITAL TAX - BANKS	C 6
INTER-PROVINCIAL COMPARISON OF MAJOR LEVIES	C 7

TAXATION ADJUSTMENTS

The purpose of this Appendix is to provide a general description of the tax changes proposed in the 1984 Manitoba Budget. For more detailed information, the reader is advised to contact the offices listed or consult the appropriate tax legislation. Comparisons with other provinces cite information available on April 18, 1984.

1) LEVY FOR HEALTH AND POST-SECONDARY EDUCATION
(Revenue Impact: -$6.0 Million)

All employers with annual (on a calendar year basis) payrolls of under $50,000 will be exempted from contributions to the Levy for Health and Post-Secondary Education effective January 1, 1984. Employers who have already made contributions for 1984 will receive refunds. For employers with payrolls between $50,000 and $75,000, a graduated rate reduction will apply.

The exemption is expected to eliminate Levy liabilities for 18,000 employers while an additional 2,000 are expected to have their tax reduced. The remaining 7,000 taxable employers will continue to pay the Levy at the 1.5% rate, which compares favourably with the 3% rate in Quebec and effective rates (under family health premium structures at $15,000 in compensation payments) of 4.54% in Ontario, 2.24% in Alberta and 2.56% in British Columbia.

Enquiries should be directed to:

Health and Post-Secondary Education Tax Branch
Department of Finance
Room 300, Norquay Building
Winnipeg, Manitoba
R3C 0P8

Phone: 944-3761

2) INCOME TAX (Revenue Impact: $-3.5 Million)

Personal Low Income Tax Reduction Enhancement

Manitoba's personal income tax reduction for low income taxpayers will be enhanced effective for the 1984 taxation year. The new reduction will parallel the federal reduction and be reduced by 5% (instead of 50%) of taxable income. This measure will substantially increase the range over which provincial personal income tax relief is available. It will also significantly simplify the tax calculations for people affected.

Under the enriched reduction, an estimated 60,000 low income Manitobans are expected to have their Manitoba income taxes reduced by an average of $55.

The effect of the measure on typical taxpayers is shown below:

	Earned Income ($)	Value of tax cut ($)	Manitoba Income Tax Reduced by: (%)
A. INDIVIDUAL	7,000	96	73.1
	7,500	72	41.2
	8,000	48	21.9
	8,500	24	9.0
B. FAMILY OF FOUR	13,000	216	78.7
	14,000	168	46.4
	15,000	121	26.4
	16,000	73	13.2
	17,000	25	3.8

Manufacturing Investment Tax Credit

To help sustain investment in new production facilities and preserve, protect and enhance the competitive ability of Manitoba manufacturers, a new and innovative Manitoba Manufacturing Investment Tax Credit has been introduced. The new credit is expected to reduce personal and corporation income taxes by about $10 million in a full year.

The Manitoba Investment Tax Credit will apply to investment in new buildings, machinery, and equipment used by Manitoba businesses in manufacturing and processing. The credit will parallel and complement the federal business investment tax credit and will be administered by Revenue Canada.

1) The credit will be set at 6% of eligible investments made after April 24, 1984 and up to December 31, 1985. In combination the federal and Manitoba tax credits will total up to 16% of the capital outlay on such projects.

2) The credit will apply to buildings, machinery and equipment to be used in manufacturing and processing (as defined in the federal Income Tax Act) in Manitoba.

3) The credit will be claimable on a dollar for dollar basis against the first $15,000 of Manitoba income taxes and one-half of any excess over that amount.

4) The credit will be non-refundable, but will have the same seven-year carry-forward provisions as the federal tax credit.

5) The credit will be available to both corporate and individual taxpayers.

These income tax changes will be administered by Revenue Canada. However, prior to June 30, 1984, enquiries may be made to:

Federal-Provincial Relations Division
Department of Finance
Room 4, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Phone: 944-3757

Manitoba Capital Gains Tax Refund Program

The 1984 federal Budget announced that commencing in the 1984 taxation year, farmers will be permitted to transfer up to $120,000 of the proceeds arising from the disposition of a family farm to a Registered Retirement Savings Plan. Since the new measure affects Manitoba income taxes -- the RRSP contribution will reduce Manitoba income taxes payable -- the Manitoba Capital Gains Tax Refund Program will be modified.

The maximum taxable capital gain eligible for relief from provincial taxes will be increased from $100,000 to $150,000, including any amounts transferred to an RRSP. The provincial refund will be calculated on the difference between the maximum eligible taxable capital gains (the entire taxable capital gains up to $150,000) and the amount sheltered from Manitoba taxes through an RRSP purchase. As a result, all eligible farmers will be able to shelter the first $150,000 of taxable capital gains from provincial capital gains taxation.

Enquiries may be directed to:

Tax Assistance Office
Department of Finance
Room 309, Norquay Building
Winnipeg, Manitoba
R3C OP8
Phone: In Winnipeg: 943-3401
Rural Manitoba: Zenith 3-6400

3) **RETAIL SALES TAX** (Revenue Impact -$0.3 Million)

Safety Equipment

Motorcycle and snowmobile helmets, life jackets, and portable fire extinguishers for domestic use will be exempted from retail sales taxation effective midnight April 24, 1984.

Coin-Operated Carwashes and Laundromats

Effective midnight April 24, 1984, retail sales tax will not be payable on the use of coin-operated carwashes and laundromats.

Enquiries regarding the retail sales tax should be directed to:

Retail Sales Tax Branch
Department of Finance
Room 115, Norquay Building
Winnipeg, Manitoba.
R3C OP8

Phone: In Winnipeg: 944-6444
Rural Manitoba: 1-800-782-0318

4) FUEL TAXES (Revenue Impact: +$3.3 Million)

Locomotive Diesel Fuel

The Railway Locomotive Diesel Fuel Tax Rate will be increased 1.5¢ per litre to 7.1¢ per litre, effective midnight April 30, 1984. At the new rate, Manitoba's tax rate on locomotive diesel fuel will be about half of Saskatchewan's 13.6¢ rate and 1.5¢ per litre below Manitoba's general diesel fuel tax rate of 8.6¢ per litre.

Gasohol

Manitoba continues to be the only Province to provide a preferential tax rate for gasohol. Effective midnight May 31, 1984, the gasohol preference will be reduced from 3¢ per litre to 2.5¢ per litre resulting in a gasohol tax rate of 5¢ per litre.

Enquiries regarding fuel taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C OP8

Phone: 944-3297

5) TOBACCO TAX (Revenue Impact +$12.5 Million)

The Tobacco Tax Rate will be increased from 2.1¢ per cigarette to 2.6¢ per cigarette effective midnight May 27, 1984. Comparable increases will apply to fine cut tobacco products. At the new rate, Manitoba's tobacco tax will remain slightly below Saskatchewan's and well below Ontario's when its sales tax on tobacco products is taken into account.

Enquiries regarding tobacco taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C OP8

Phone: 944-3284

6) CORPORATION CAPITAL TAX - BANKS (Revenue Impact +$3.5 million)

The special Corporation Capital Tax rate on banks will be continued at a 1.9% rate.

Enquiries regarding the Corporation Capital Tax should be directed to:

Corporation Capital Tax Branch
Department of Finance
Room 300, Norquay Building
Winnipeg, Manitoba
R3C OP8

Phone: 944-3761

Inter-Provincial Comparison of Major Levies

	Nfld.	P.E.I.	N.S.	N.B.	Que.*	Ont.*	Man.	Sask.	Alta.	B.C.
Personal Income (% of Basic Federal Tax)	60.0	52.5	56.5	58.0	**	50.4	54.0[a]	51.0[a]	43.5	47.5[a]
Corporation Capital										
° Rate (%)	-	-	-	-	0.45	0.3	0.2	0.3	-	0.2
° Exemption	-	-	-	-	nil	nil	$1M	$10M	-	$1M
Corporation Income										
° Large	16.0	10.0	15.0	15.0	5.5	15.0	16.0	16.0	11.0	16.0
° Small	10.0	10.0	10.0	9.0[b]	3.0	10.0	10.0	10.0	5.0	8.0
Sales (%)	12.0	10.0	10.0	10.0	9.0	7.0	6.0	5.0	-	7.0
Gasoline (¢/l.)	9.9	10.0	8.8	8.2	11.85	7.6	7.5	-	-	7.69
Diesel Fuel (¢/l.)	11.6	12.7	8.7	9.5	10.8	9.4	8.6	-	-	8.13
Tobacco (¢/cig.)	4.78	1.50	2.00	3.00	2.26	2.60	2.60	2.68	1.48	2.24
Medicare Premiums										
° Single ($/a)	-	-	-	-	-	340	-	-	168	180
° Family ($/a)	-	-	-	-	-	680	-	-	336	384
Employer Health/ Education Levies (% of compensation)										
° $15,000	-	-	-	-	3.0	4.54[c]	1.5	-	2.24[c]	2.56[c]
° $20,000	-	-	-	-	3.0	3.40[c]	1.5	-	1.68[c]	1.92[c]

*These provinces had not presented their 1984 Budgets at the time this table was prepared.

**The Quebec personal income tax, which is levied directly against taxable income, is generally acknowledged as the highest in Canada.

[a]These provinces impose surtaxes on higher income taxpayers. British Columbia's 47.5% rate takes effect July 1, 1984.

[b]New Brunswick has removed its Small Business Corporation Income Tax for one year.

[c]These provinces do not have employer levies per se. However, employers generally pay health/medicare premiums on behalf of employees. The rates shown reflect the family premium rates currently in effect.